

3 1761 12063248 4

OIL AND GAS CONSERVATION BOARD

**Application by
Alberta and Southern Gas Co. Ltd.
for a permit authorizing the removal
of gas from the Province of Alberta**

VOLUME I

Application, Gas Sale and Transmission Contracts

1957

CA1
Z1
-57E22

TABLE OF CONTENTS

This table of contents covers all six volumes of exhibits by volume.

Filed
under Index

Volume I Application, Gas Sale and Transmission Contracts

Application by Alberta and Southern Gas Co. Ltd.
for a permit authorizing removal of gas from the
Province of Alberta.

Exhibit ____	Contract between Alberta and Southern Gas Co. Ltd. and Canadian Western Natural Gas Company Limited and Northwestern Utilities, Limited	A
Exhibit ____	Gas Transportation Letter of Intent - The Alberta Gas Trunk Line Company Limited to Alberta and Southern Gas Co. Ltd.	A
Exhibit ____	Gas Transportation Contract - Alberta and Southern Gas Co. Ltd. and S & M Pipeline Limited	A
Exhibit ____	Gas Sale Contract - Alberta and Southern Gas Co. Ltd. and Canadian-Montana Pipe Line Company	B
Exhibit ____	Gas Sale Contract - Alberta and Southern Gas Co. Ltd. and Pacific Gas Transmission Company	B
Exhibit ____	Proposed Form of Gas Tariff and Service Agreement to be filed with the Federal Power Commission to cover sales by Pacific Gas Transmission Company to Pacific Gas and Electric Company	B

Volume II Pipeline Engineering and Capital Costs

Exhibit ____	General Map of Proposed System	C
Exhibit ____	Key Chart and Individual Maps of Construction Sections	C
Exhibit ____	Description of Location of each Construction Section	C
Exhibit ____	Flow Diagram - Net Throughput 400 MMcfd	D
Exhibit ____	Flow Diagram - Maximum Capability	D
Exhibit ____	Flow Diagram Data	D

TABLE OF CONTENTS

This table of contents covers all six volumes of exhibits by volume.

Filled
under index

	<u>Volume I</u>	<u>Application, Gas Sale and Transportation Contracts</u>
		Explanation by Alberta and Southern Gas Co. Ltd. not a part of subjecting removal of gas from the Province of Alberta
		Contract between Alberta and Southern Gas Co. Ltd. and Canadian Western Natural Gas Company Limited and Northwestern Utilities Limited
A		Gas Transportation Contract - Alberta - The Alberta Gas Transmission Company Limited in Alberta and Southern Gas Co. Ltd.
A		Gas Transportation Contract - Alberta and Southern Gas Co. Ltd.
A		Gas Transportation Contract - Alberta and Southern Gas Co. Ltd.
B		Gas Sale Contract - Alberta and Southern Gas Co. Ltd. and
B		Proposed Form of Gas Sale and Service Agreement to be filed with the Federal Power Commission over sales by Alberta Gas Transportation Company to Selling Gas and Electric Company
	<u>Volume II</u>	<u>Physical Engineering and Capital Costs</u>
C		General Map of Proposed System
C		Key Chart and Detailed Map of Construction Sections
C		Description of Location of each Construction Section
D		Flow Diagram - The Transportation and Main
D		Flow Diagram - Maximum Capacity
D		Flow Diagram Data

Filed
under Index

Exhibit ____	Pipeline Specifications	E
Exhibit ____	Construction Schedule and Cash Flow Schedule	F
Exhibit ____	Capital Cost Estimate	F

Volume III Gas Purchase Contracts

Exhibit ____	Location of Fields from which Gas has been Purchased	G
Exhibit ____	Schedule of Gas Purchase Contracts	G
Exhibit ____	Copies of Contracts and Options	H

Volume IV Geological Reports

Exhibit ____	IVA - Alberta and Southern Gas Co. Ltd. Estimated Gas Reserves and Availability from Certain Fields in Alberta July 1, 1957	I
Exhibit ____	IVA - Supplement	I
Exhibit ____	IVB - Canadian Western Natural Gas Company Limited Estimated Gas Reserves and Availability from Certain Fields in Alberta January 1, 1957	J
Exhibit ____	IVB - Supplement	J
Exhibit ____	IVC - Northwestern Utilities Limited Estimated Gas Reserves and Availability from Certain Fields in Alberta January 1, 1957	K
Exhibit ____	IVC - Supplement	K
Exhibit ____	IVD - Province of Alberta Estimated Gas Reserves July 1, 1957	L

Filed
under Index

<u>Volume V</u>	<u>Exportable Surplus of Gas in Alberta and Need for Gas in California</u>	
Exhibit ____	Annual Market Requirements and Peak Day Loads 1957 - 1986	M
Exhibit ____	Natural Gas Requirements for the Province of Alberta 1957 - 1986	M
Exhibit ____	Gas Reserves and Requirements in the Province of Alberta and Authorized Gas Exports from the Province of Alberta	M
Exhibit ____	Demand for Natural Gas and Its Impact on Industrial Growth in Alberta 1957 - 1970	M
Exhibit ____	Forecast of Combined Total Gas Supply for Northern California Companies	N
Exhibit ____	Forecast of the Market for Natural Gas in Northern California	N
Exhibit ____	Data relating to Canadian-Montana Pipe Line Company	N
Exhibit ____	Recapitulation of the Total Requirements and Supplies of Gas to P. G. and E. Co.	N
<u>Volume VI</u>	<u>Cost, Financial and Economic Data</u>	
Exhibit ____	Prospectus of the Pacific Gas and Electric Company	O
Exhibit ____)Data on Financing Plan and Financial Feasibility	
Exhibit ____)will be offered at the hearings.	
Exhibit ____)	
Exhibit ____	Cost of Gas Delivered at Antioch, California	P
Exhibit ____	Operating Revenues of Participating Companies	Q
Exhibit ____	Operation and Maintenance Cost Estimate	Q
Exhibit ____	Administrative and General Expenses	Q
Exhibit ____	Consolidated Pro Forma Balance Sheets of Participating Companies, December 31, 1960 - 65, inclusive	R

Filed
under Index

Exhibit	_____	Anticipated Cash Flow of Participating Companies, 1958 - 65, inclusive	R
Exhibit	_____	Consolidated Estimated Revenues, Expenses and Income of Participating Companies, 1960 - 65, inclusive	R
Exhibit	_____	The Economic Effects of the Proposal on the Economy of Alberta	S

A P P L I C A T I O N

**BY ALBERTA AND SOUTHERN GAS CO. LTD.
FOR A PERMIT AUTHORIZING THE REMOVAL
OF GAS FROM THE PROVINCE OF ALBERTA**

BEFORE:

THE OIL AND GAS CONSERVATION BOARD

IN THE MATTER OF "The Gas Resources
Preservation Act, 1956"; and

IN THE MATTER OF an Application by Alberta
and Southern Gas Co. Ltd. for a permit
authorizing removal of gas from the Province
of Alberta.

A P P L I C A T I O N

Alberta and Southern Gas Co. Ltd. (hereinafter called "the Applicant") hereby applies, in accordance with the provisions of "The Gas Resources Preservation Act, 1956", for a permit authorizing the removal of gas from the Province of Alberta in the quantities and in the manner hereinafter set forth, such removal of gas to take place over a twenty-five year period.

In support of the within Application the Applicant says:

1. THAT the Applicant is a body corporate incorporated under the provisions of "The Companies Act" being Chapter 53 of The Revised Statutes of Alberta, 1955, and has the power, inter alia, to acquire, process, transmit, transport and sell gas.
2. THAT the Applicant has entered into contracts, options, obligations, and other arrangements with producers of natural gas within the Province of Alberta in sufficient volumes to meet delivery of the quantities of gas to be removed as hereinafter applied for.

3. THAT the said gas to be removed will be transported within the Province of Alberta through a proposed pipeline system to be constructed by The Alberta Gas Trunk Line Company Limited.

4. (a) THAT The Alberta Gas Trunk Line Company Limited will deliver the said volumes of gas at a point in the vicinity of Coleman in the Province of Alberta (but in all events within the Province of Alberta) to a proposed 36-inch pipeline to be owned and operated by S & M Pipeline Limited, a body corporate, incorporated by Special Act of the Parliament of Canada, being Chapter 77 of The Statutes of Canada, 1955, to be transported through the Crowsnest Pass passing near Fernie, Elko and Moyie, in the Province of British Columbia, to a point on the International Boundary between Canada and the United States of America in the vicinity of Kingsgate, British Columbia;

(b) said pipeline of S & M Pipeline Limited to connect at the said point on the International Boundary with a proposed 36-inch pipeline to be owned and operated by Pacific Gas Transmission Company, a body corporate, incorporated under the laws of the State of California, one of the United States of America, such said proposed pipeline to traverse the State of Idaho, the State of Washington via Spokane and a point midway between Walla Walla and Pasco, the State of Oregon via Bend to a point on or near the Oregon-California border in the vicinity of Merrill, Oregon;

(c) said pipeline of Pacific Gas Transmission Company to connect

at said Oregon-California border with a proposed 36-inch pipeline to be owned and operated by Pacific Gas and Electric Company, a public utility company, incorporated under the laws of the State of California aforesaid, such said pipeline to traverse the northern part of the said State of California in a southerly direction to connect with the existing integrated pipeline system of the said Pacific Gas and Electric Company in the vicinity of Antioch in the said State of California.

5. THAT the Applicant is prepared to sell gas to distributors for resale in communities adjacent to the above described pipelines in the Provinces of Alberta and British Columbia.

6. (a) THAT the Applicant has entered into an agreement with Canadian-Montana Pipe Line Company, a body corporate, incorporated by Special Act of the Parliament of Canada, for the sale of 31 million cubic feet of gas per day at a 14.4 pounds per square inch pressure base (30 million cubic feet at a 14.73 pounds per square inch pressure base) to be delivered at a point in the Province of Alberta near the International Boundary between the Province of Alberta and the State of Montana where the proposed system of The Alberta Gas Trunk Line Company Limited terminates and thence transported from a point of interconnection with the pipeline of The Alberta Gas Trunk Line Company Limited by a proposed pipeline to be owned and operated by Canadian-Montana Pipe Line Company to a point on the said International Boundary where the said gas will be sold and delivered by Canadian-Montana Pipe Line Company to The Montana

Power Company, a body corporate, incorporated under the laws of the State of New Jersey, one of the United States of America, which said company carries on the business of, inter alia, distributing gas in the State of Montana. The said gas will be transported from the point of interconnection with the pipeline of Canadian-Montana Pipe Line Company on the said International Boundary by a proposed pipeline to be owned and operated by The Montana Power Company traversing the State of Montana in a southeasterly direction to connect with the existing integrated pipeline system of The Montana Power Company.

(b) THAT the Applicant proposes to have transported an average daily volume of approximately 429 million cubic feet of the gas at a 14.4 pounds per square inch pressure base (420 million cubic feet at a 14.73 pounds per square inch pressure base) through the system of The Alberta Gas Trunk Line Company Limited for delivery to S & M Pipeline Limited, for removal from the Province of Alberta and (except for volumes consumed in British Columbia) for sale and delivery to Pacific Gas Transmission Company where its pipeline connects with that of S & M Pipeline Limited in the vicinity of Kingsgate, British Columbia.

(c) THAT Pacific Gas Transmission Company will transport the said gas to the point where its pipeline connects with that of the Pacific Gas and Electric Company aforesaid at or near the Oregon-California

border in the vicinity of Merrill, Oregon, where the said gas will be sold and delivered to the said Pacific Gas and Electric Company. It is expected that one-half of said gas will be sold to the Southern California Gas Company and the Southern Counties Gas Company of California.

7. THAT the average daily gas volumes to be handled in the export project herein described are as follows:

	<u>M²cf/Day at 14.73 pounds per square inch pressure base</u>	<u>M²cf/Day at 14.4 pounds per square inch pressure base</u>
Total volume of gas to be removed from Province of Alberta	450 (daily average) 490 (daily maximum)	* 460 (daily average) 500 (daily maximum)
Gas to be sold and delivered by Applicant to the Canadian-Montana Pipe Line Company	30	31
Gas to be delivered by Applicant to S & M Pipeline Limited at or near the Alberta-British Columbia Boundary	420	429
Gas to be sold and delivered by Applicant to local distributors for resale in Province of British Columbia, and line loss and compressor fuel for S & M Pipeline Limited	4	4
Gas to be sold and delivered by Applicant to Pacific Gas Transmission Company at the International Boundary	416	425

	<u>M²cf/Day at 14.73 pounds per square inch pressure base</u>	<u>M²cf/Day at 14.4 pounds per square inch pressure base</u>
Estimated quantity of gas to be sold and delivered by Pacific Gas Transmission Company to local distributors for resale in States of Idaho, Oregon and Washington, and line loss and compressor fuel for Pacific Gas Transmission Company	13	13
Gas to be sold and delivered by Pacific Gas Transmission Company to Pacific Gas and Electric Company	403	412
Line loss and compressor fuel for Pacific Gas and Electric Company	3	3
Gas delivered at Antioch, California terminal	400	409

Operations are expected to commence in 1960, and it is contemplated that the gas will be taken at a 100% annual load factor.

* The figure 460 is a daily average figure. To meet annual load factor of 100% it will be necessary on some days to exceed the daily average and accordingly the maximum daily volume applied for is 500 million cubic feet at 14.4 pounds per square inch pressure base.

8. THAT the Applicant has entered into an agreement with Canadian Western Natural Gas Company Limited and Northwestern Utilities, Limited, both of which companies are proprietors of public utilities engaged in the distribution of gas within the Province of Alberta, whereby the said utility companies are given a priority to purchase gas from the Applicant to meet their domestic, commercial and estimated industrial requirements.

WHEREFORE the Applicant applies for a Permit authorizing the removal from the Province of Alberta of:

(a) an average daily volume of 460 million cubic feet of gas at a 14.4 pounds per square inch pressure base (450 million cubic feet at a 14.73 pounds per square inch pressure base) as follows,

(1) 429 million cubic feet at a 14.4 pounds per square inch pressure base (420 million cubic feet at a 14.73 pounds per square inch pressure base) of which, except for minor volumes of gas for communities en route, is for ultimate consumption within the State of California,

(2) 31 million cubic feet at a 14.4 pounds per square inch pressure base (30 million cubic feet at a 14.73 pounds per square inch pressure base) of which is for ultimate consumption within the State of Montana;

(b) not more than 500 million cubic feet of gas at a 14.4 pounds per square inch pressure base (490 million cubic feet at a 14.73 pounds per square inch pressure base) in any one day;

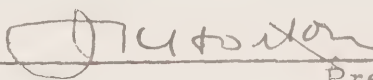
(c) not more than 167.9 billion cubic feet of gas at a 14.4 pounds per square inch pressure base (164.25 billion cubic feet at a 14.73 pounds per square inch pressure base) in any consecutive 12-month period;

(d) not more than 4.2 trillion cubic feet of gas at a 14.4 pounds per square inch pressure base (4.11 trillion cubic feet at a 14.73 pounds per

square inch pressure base) during the 25-year period for which such Permit is sought.

DATED at the City of Calgary in the Province of Alberta this 18th day of October, A.D. 1957.

ALBERTA AND SOUTHERN GAS CO. LTD.

Per: 
President.

All notices or other communications to the Applicant may be sent or delivered to R. A. MacKimmie, Q.C., 436 Lougheed Building, Calgary, Alberta.

TO:

The Chairman,
The Oil and Gas Conservation Board,
5th Avenue and 5th Street West,
Calgary, Alberta.

Hearing No.

Exhibit No.

Date

Witness

CONTRACT BETWEEN ALBERTA AND SOUTHERN GAS
CO. LTD. AND CANADIAN WESTERN NATURAL GAS
COMPANY LIMITED AND NORTHWESTERN UTILITIES,
LIMITED.

ALBERTA AND SOUTHERN GAS CO. LTD.

CANADIAN WESTERN NATURAL GAS
COMPANY LIMITED
NORTHWESTERN UTILITIES, LIMITED

OFFICE OF THE PRESIDENT
10124-104 STREET
EDMONTON, ALBERTA

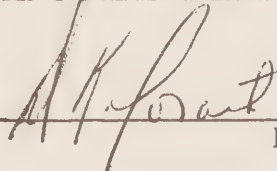
August 9, 1957.

Alberta and Southern Gas Co., Ltd.,
Calgary, Alberta.

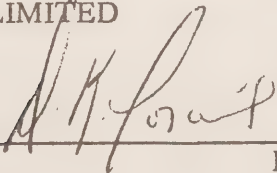
Dear Sirs:

These companies propose to execute the agreement with you of even date, on the understanding that it will be revised in the event of it being determined by agreement or the direction of constituted authority, that the purchasers of natural gas for distribution in Alberta shall receive a price differential as compared with the price paid for gas to be exported from the Province.

CANADIAN WESTERN NATURAL
GAS COMPANY LIMITED

Per  President

NORTHWESTERN UTILITIES,
LIMITED

Per  President

ALBERTA AND SOUTHERN GAS CO. LTD.

- and -

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

NORTHWESTERN UTILITIES, LIMITED

A G R E E M E N T

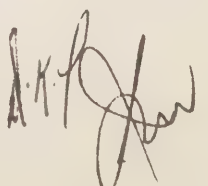
THIS AGREEMENT made this 9th day of August 1957,
by and between ALBERTA AND SOUTHERN GAS CO. LTD., a
corporation, hereinafter called "Gas Company," and CANADIAN
WESTERN NATURAL GAS COMPANY LIMITED, a corporation,
and NORTHWESTERN UTILITIES, LIMITED, a corporation, herein-
after called "Alberta Utilities,"

W I T N E S S E T H:

WHEREAS Gas Company proposes to purchase natural gas
within the Province of Alberta for export from said Province and
ultimate transportation to the State of California and to apply as soon
as practicable to the Oil and Gas Conservation Board of Alberta for
a permit to export from the Province a minimum of about 400 million
cubic feet of natural gas per day, and for such purposes to procure
such other permits, certificates and authorizations as may be
required under applicable laws and regulations; and

WHEREAS Alberta Utilities are public utility corporations
engaged in the natural gas business within the Province of Alberta;
and

WHEREAS the parties hereto recognize that Alberta
Utilities shall have priority as to the gas supplies of Gas Company

A handwritten signature in dark ink, appearing to be 'A. H. B. Jones', is located in the bottom right corner of the document.

to the extent that the gas supplies of Alberta Utilities are insufficient to meet their natural gas requirements, and desire to make reciprocal sales of gas, and to co-operate with each other, all as hereinafter set forth; and

WHEREAS Gas Company proposes to enter into gas transportation contracts with its related company, Alberta and Southern Transmission Co. Ltd. and may enter into such contracts with other gas pipe line companies, and Alberta Utilities propose to use their gas pipe line facilities and may enter into gas transportation contracts with gas pipe line companies to the end that each of the parties hereto shall be able to perform its obligations herein contained.

NOW, THEREFORE, it is hereby agreed as follows:

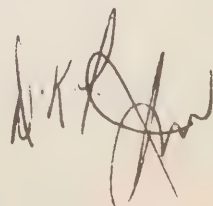
ARTICLE I - PURCHASE OF ANNUAL VOLUMES OF
GAS BY ALBERTA UTILITIES

1. Gas Company shall sell and deliver to Alberta Utilities and Alberta Utilities shall purchase and take from Gas Company such annual and maximum daily volumes of natural gas as may from year to year be requested at least one year in advance by Alberta Utilities and agreed to by Gas Company. In arriving at such agreement, consideration will be given to: (1) Alberta Utilities' agreement to take such gas at as high a load factor as practicable; (2) the annual market requirements of Alberta Utilities; and (3) the other sources

of supply available to Alberta Utilities. Provided, however, such annual volumes shall in no event be less than the annual volumes Alberta Utilities shall elect to purchase at not less than seventy percent (70%) annual load factor; and provided further, that such annual volumes shall in no event exceed the volumes required by Alberta Utilities to meet the annual requirements of their customers referred to in section (a) of paragraph 1 of Article II and the annual requirements of their customers referred to in section (b) of paragraph 1 of Article II up to the annual quantities set forth in Schedule "A" annexed hereto and hereby incorporated herein after first making reasonable use of their other sources of supply.

2. If the parties should fail to agree upon such volumes within the limitations expressed in the foregoing provisos, such volumes shall be determined by arbitration, in the manner hereinafter provided, within the said limitations.

3. Alberta Utilities shall pay Gas Company for all such gas purchased by them a price equal to the weighted average field price paid by Gas Company in the Province of Alberta for natural gas in the month such gas is delivered, plus an appropriate transmission charge.

A handwritten signature in dark ink, appearing to be "D. K. [unclear]", located in the bottom right corner of the page.

ARTICLE II - PURCHASE OF ADDITIONAL GAS
BY ALBERTA UTILITIES

1. Gas Company shall sell and deliver to Alberta Utilities such additional quantities of gas as Alberta Utilities shall require while they are making maximum use of their other sources of supply to the extent that their then existing facilities permit, including gas referred to in Article I, if any, in order to meet:

- (a) the actual natural gas requirements of their domestic, commercial, and small industrial customers and
- (b) the estimated maximum daily natural gas requirements for their large industrial customers shown on Schedule "A".

"Large industrial customer" shall mean any customer whose average consumption of natural gas exceeds 500 Mcf/day. All other customers shall be considered domestic, commercial, or small industrial.

2. The estimated daily and annual requirements shown on Schedule "A" shall be revised as appropriate by Alberta Utilities and Gas Company prior to or during the hearing of any application of Gas Company to the Oil and Gas Conservation Board to increase the volume of gas covered by its permit or permits to export gas from Alberta then in effect; provided, however, that no such revised estimate shall be applied retroactively if such application of such estimate could operate to decrease the volume of gas which Gas Company may export under its said export permit or permits then in effect; and provided further that

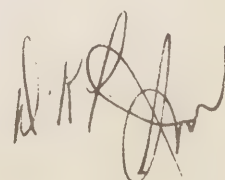
in revising any such estimate Alberta Utilities shall not be required to reduce such estimate below the volumes shown on any earlier estimate.

3. Gas Company shall sell said additional gas to Alberta Utilities from any source of natural gas supply within the Province of Alberta which it owns or has available to it under contract.

4. Whenever Alberta Utilities desire to purchase additional gas they shall give reasonable notice to Gas Company specifying the time and volume required. Gas Company shall not be obligated to install or cause to be installed or enlarge or cause to be enlarged pipelines or compressor facilities to make any such deliveries. Alberta Utilities shall have only the obligation to install such facilities as are required to take such additional gas to their market areas from points at which Gas Company can make such gas available.

5. Alberta Utilities shall pay Gas Company for all additional gas purchased by them, at the option of Alberta Utilities, either (a) 1.3 times the weighted average field price paid by Gas Company in the Province of Alberta for natural gas in the month the additional gas is delivered, plus an appropriate transmission charge, or (b) 1.3 cubic feet of gas for each cubic foot of additional gas purchased (such payment gas to be delivered at the mutual convenience of the parties).

6. All contracts made by Gas Company for the export of gas from the Province of Alberta shall be subject to the foregoing obligations in favor of Alberta Utilities.



ARTICLE III - SALES OF GAS BY ALBERTA UTILITIES
TO GAS COMPANY

1. Prior to the first hearing before the Oil and Gas Conservation Board for a permit for Gas Company to export gas from the Province of Alberta, the parties hereto shall estimate the daily volume of gas, if any, hereinafter called "firm gas," which Alberta Utilities will be able and willing to sell and deliver to Gas Company and which Gas Company will be able and willing to buy and take from Alberta Utilities.

2. After such initial estimate of firm gas has been made Alberta Utilities and Gas Company shall enter into a contract for the sale and purchase of firm gas, under terms and conditions corresponding to those contained in gas purchase contracts made by Gas Company for purchase of gas in Alberta prior to said hearing. At any time after the commencement of deliveries of firm gas the parties hereto may agree to increase or decrease the daily contract volume of firm gas, and either party shall have the right, upon three (3) years' written notice to the other, to make a unilateral reduction in the daily contract volume of firm gas.

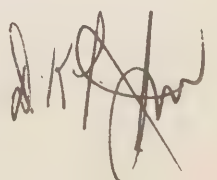
3. Gas Company shall pay Alberta Utilities for firm gas purchased by it the weighted average price paid by Gas Company to producers of natural gas in the Province of Alberta for gas purchased under the same terms and conditions (including quality, pressure and

load factor) in the month such gas is delivered, plus an appropriate transmission charge.

4. In addition to firm gas, Alberta Utilities shall sell and deliver and Gas Company shall buy and receive such additional volumes of natural gas as may be tendered by Alberta Utilities and as Gas Company may be able to take and beneficially use without risking inability to meet purchase obligations contained in its other gas purchase contracts. Gas Company shall pay to Alberta Utilities for such gas the weighted average field price paid by Alberta Utilities for all gas purchased by them in the month such gas is delivered, plus an appropriate transmission charge.

5. The obligations of Alberta Utilities respecting entry into any contract for the sale of gas as provided in paragraph 2 of this Article III or respecting any sale of gas as provided in paragraph 4 of this Article III shall not become effective or binding upon Alberta Utilities unless and until any such contract or sale shall have been approved by The Board of Public Utility Commissioners of the Province of Alberta.

6. Notwithstanding anything to the contrary contained herein, Gas Company shall not be obligated under this Article III to purchase any volume of natural gas from Alberta Utilities if such purchase would bring into operation any favored nations clause affecting any gas purchase contract between Gas Company and any producer of gas within



the Province of Alberta.

ARTICLE IV - INTERCONNECTION AND RECIPROCAL
TRANSMISSION SERVICE

The parties hereto will mutually agree as to points of delivery and will provide transmission service for each other to the extent that they control facilities with capacity available for such service. An appropriate charge shall be paid for such service.

ARTICLE V - CO-OPERATION

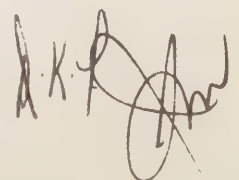
The parties will consult with each other in the planning of the facilities which are needed to give effect to this agreement with the ultimate objective of assuring that the facilities of each party and the gas reserves of the Province of Alberta are utilized as efficiently as possible.

ARTICLE VI - TERM

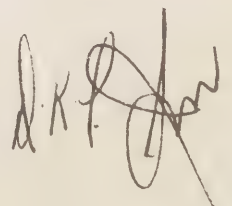
This agreement shall be effective from the date hereof and shall continue for the term of the export permit and any supplements thereof and extensions thereto obtained by Gas Company from the Oil and Gas Conservation Board.

ARTICLE VII - ARBITRATION

Any dispute or difference of interpretation concerning this contract which cannot be settled by mutual accord between the parties

A handwritten signature in dark ink, appearing to be a stylized name, possibly "H.K. [unclear]", located in the bottom right corner of the page.

shall be submitted to and settled by arbitration. If the parties hereto are unable to agree on any matter, where, under any provision of this contract, mutual agreement between the parties as to such matter is contemplated as being necessary for the implementation of the contract, then such matter shall be submitted to and settled by arbitration. Alberta Utilities shall be deemed to be one party. Any such dispute or difference or matter shall be referred to a single arbitrator if the parties agree upon one, or otherwise to three arbitrators, one to be appointed by each party and a third arbitrator to be appointed by the first two named arbitrators in writing, or, if they cannot agree, within seven (7) days after the date of the appointment of the last appointment of the two arbitrators, by a Judge of the Supreme Court of Alberta. If either party shall refuse or neglect to appoint an arbitrator within fourteen (14) days after the other party shall have appointed an arbitrator, and shall have served a written notice upon the first mentioned party requiring such party to make such appointment, then the arbitrator first appointed shall, at the request of the party that appointed him, proceed to hear and determine the matters in difference as if he were a single arbitrator appointed by both parties for the purpose, and the award or determination which shall be made by the said arbitrators or the majority of them or by the said arbitrator shall be final and binding upon the parties hereto. In all other respects the provisions of The Arbitration Act of the Province

A handwritten signature in dark ink, appearing to be 'D.K.P. [unclear]', is located in the bottom right corner of the page.

of Alberta, or any act passed in amendment thereof or substitution therefor, shall apply to each such submission. Operations under this contract shall continue, without prejudice, during the pendency of such arbitration.

ARTICLE VIII - INTERPRETATION

This contract shall be construed and enforceable in accordance with the laws of the Province of Alberta.

ARTICLE IX - CONDITIONS

This agreement and the rights and obligations of the parties hereunder are subject to the parties procuring all permits, certificates and other authorizations required under applicable laws and regulations for their respective purposes and to all present and future laws, regulations and orders of duly constituted authorities having jurisdiction in the premises.

ARTICLE X - NOTICES

Every request, notice, and appointment provided for in this Agreement shall be directed to the party to whom the same is to be made, given or delivered and shall be sufficiently made, given or delivered if mailed by fully pre-paid registered post in an envelope addressed to such party as follows:

Gas Company: The Secretary,
 Alberta and Southern Gas Co. Ltd.,
 Natural Gas Building,
 140 Sixth Avenue S. W.,
 Calgary, Alberta.

Alberta Utilities: Canadian Western Natural Gas Company Limited, and
 Northwestern Utilities, Limited,
 c/o The Secretary,
 Canadian Western Natural Gas Company Limited,
 Natural Gas Building,
 140 Sixth Ave. S. W.,
 Calgary, Alberta.

or if delivered by hand to the Secretary for the time being of Alberta and Southern Gas Co. Ltd. for Gas Company and to the Secretary for the time being of Canadian Western Natural Gas Company Limited for Alberta Utilities. Such request, notice, or appointment, if mailed as aforesaid, shall be deemed to have been made, given or delivered on the day next following two clear days after the day on which the same shall have been so mailed in a post office in either the city of Calgary or the city of Edmonton. Any party may change its address by written notice to the other party.

ARTICLE XI - ASSIGNMENT

This agreement shall bind and inure to the respective successors and assigns of the parties hereto, but no assignment by

any party hereto shall be effective without the written consent of
all other parties hereto.

IN WITNESS whereof this agreement has been executed
by the parties as of the day and year first above written.

ALBERTA AND SOUTHERN GAS CO. LTD.

By

N. R. Sutherland
Its Attorney.

[Signature]

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

By

A. H. Grant

By

H. S. Greenway

NORTHWESTERN UTILITIES, LIMITED

By

A. H. Grant

By

L. McFarlane

SCHEDULE A

<u>Year</u>	<u>Large Industrial Customers Annual Requirements Billions of Cubic Feet</u>	<u>Large Industrial Customers Maximum Day Requirements Millions of Cubic Feet</u>
1957	31	114
1958	32	119
1959	36	137
1960	41	156
1961	45	171
1962	49	186
1963	53	198
1964	57	212
1965	62	228
1966	66	241
1967	70	257
1968	74	272
1969	78	281
1970	81	293
1971	85	302
1972	88	314
1973	91	325
1974	94	336
1975	97	341
1976	99	351
1977	102	360
1978	105	370
1979	107	379
1980	110	388
1981	112	393
1982	115	401
1983	117	409
1984	120	420
1985	122	428
1986	125	436
Total	<u>2, 464</u>	

SCHEDULE A

<u>Year</u>	<u>Large Industrial Customers Annual Requirements Billions of Cubic Feet</u>	<u>Large Industrial Customers Maximum Day Requirements Millions of Cubic Feet</u>
1957	31	114
1958	32	119
1959	36	137
1960	41	156
1961	45	171
1962	49	186
1963	53	198
1964	57	212
1965	62	228
1966	66	241
1967	70	257
1968	74	272
1969	78	281
1970	81	293
1971	85	302
1972	88	314
1973	91	325
1974	94	336
1975	97	341
1976	99	351
1977	102	360
1978	105	370
1979	107	379
1980	110	388
1981	112	393
1982	115	401
1983	117	409
1984	120	420
1985	122	428
1986	125	436
Total	<u>2, 464</u>	

The Alberta Gas Trunk Line Company Limited

320 - 9TH AVENUE WEST
CALGARY, ALBERTA

November 29, 1957

Alberta and Southern Gas Co. Ltd.,
140 Sixth Avenue S.W.,
CALGARY.

Gentlemen:

With respect to your recently filed application to the Oil and Gas Conservation Board for a permit to remove natural gas from the Province of Alberta, we have not made a detailed review of the design, capital cost estimates and operating cost estimates set forth therein for the gas transmission facilities within Alberta but we are prepared to accept your engineers' design and cost estimates for the purpose of this application.

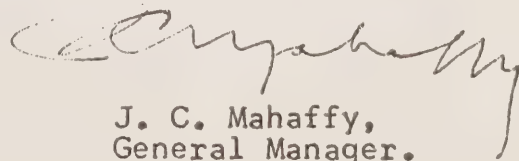
If the Conservation Board grants your permit, Trunk Line will, as soon thereafter as necessary to meet the requirements of any governmental body having jurisdiction over any portion of your project, diligently prosecute an application under The Pipe Line Act for a permit to construct the necessary gas transmission facilities in Alberta. We reserve the right, however, to request in this application the adoption of such revised routes and facilities as may seem desirable at that time to serve not only your requirements but also the requirements, actual or reasonably anticipated, of local and other export markets.

If the said permit is granted to Trunk Line, we will forthwith enter into an appropriate gas transportation contract with you on terms and conditions to be mutually agreed upon.

We hereby consent to your use of this letter as an exhibit supporting your application before the Conservation Board.

Yours very truly,

THE ALBERTA GAS TRUNK LINE COMPANY LIMITED



J. C. Mahaffy,
General Manager.

JCM:P.

Hearing No.

Exhibit No.

Date

Witness

GAS TRANSPORTATION CONTRACT
ALBERTA AND SOUTHERN GAS CO. LTD.
AND
S & M PIPELINE LIMITED

ALBERTA AND SOUTHERN GAS CO. LTD.

GAS TRANSPORTATION CONTRACT

ALBERTA AND SOUTHERN GAS CO. LTD.

and

S & M PIPELINE LIMITED

TABLE OF CONTENTS

<u>Paragraph</u>		<u>Page</u>
1.	DEFINITIONS	2
2.	BASIC OBLIGATIONS AND CONDITIONS	3
3.	TERM OF CONTRACT	4
4.	QUANTITY OF GAS	4
5.	POINTS OF RECEIPT AND DELIVERY	5
	5.1 Point of Receipt	5
	5.2 Points of Delivery	5
6.	DELIVERY PRESSURE	5
7.	QUALITY OF GAS	6
	7.1 Quality Standards	6
	(a) Heating Value	6
	(b) Freedom from Objectionable Matter	6
	7.2 Quality Tests	7
8.	MEASURING EQUIPMENT	9
	8.1 Installation	9
	8.2 Testing Meter Equipment	9
	8.3 Correction and Adjustment	10
9.	MEASUREMENTS	10
	9.1 Metering	10
	9.2 Deviation from Boyle's Law	11
	9.3 Specific Gravity	11
	9.4 Flowing Temperature	12
10.	INSPECTION OF EQUIPMENT AND RECORDS	12
	10.1 Transmittal of Records to Gas Company	12
	10.2 Inspection of Equipment and Data	12

10.3	Information for Billing	13
10.4	Verification of Computations	13
11.	BILLING AND PAYMENT	13
11.1	Billing	13
11.2	Payment	13
11.3	Interest on Unpaid Amounts	13
11.4	Remedies for Failure to Pay	14
11.5	Late Billing	14
11.6	Correction of Billing Errors	14
12.	COST OF SERVICE	14
12.1	Calculations	14
	(a) Operating Expenses	14
	(b) Depreciation	15
	(c) Taxes	16
	(d) Return	16
	(e) Credits	17
12.2	Adjustment for Accrued and Deferred Items	17
13.	FORCE MAJEURE	17
14.	WARRANTY OF TITLE	20
15.	POSSESSION OF GAS AND RESPONSIBILITY	20
16.	LIABILITY OF PARTIES	21
17.	ARBITRATION	21
18.	MISCELLANEOUS PROVISIONS	22
18.1	Waiver of Default	22
18.2	Assignability	22
18.3	Address of Parties	23
18.4	Contract Subject to Laws	23
18.5	Law for Interpretation	23
18.6	Effect of Headings	23

THIS GAS TRANSPORTATION CONTRACT made this 15th day of
October, 1957

BETWEEN:

ALBERTA AND SOUTHERN GAS CO. LTD., a body corporate, having an office and carrying on business in the City of Calgary, in the Province of Alberta, (hereinafter referred to as "Gas Company")

OF THE FIRST PART

- and -

S & M PIPELINE LIMITED, a body corporate, having an office and carrying on business in the City of Calgary, aforesaid, (hereinafter referred to as "Pipeline Company")

OF THE SECOND PART

W I T N E S S E T H T H A T:

WHEREAS Pipeline Company proposes to construct and operate a natural gas pipeline to transport gas from Alberta through British Columbia to the International Boundary, as part of a natural gas pipeline project (hereinafter called The Project) which has as its principal purpose the transportation of natural gas from Canada to the existing integrated transmission and distribution system of Pacific Gas and Electric Company, a California corporation (hereinafter referred to as P. G. and E.), in northern California; and

WHEREAS the other participants in The Project are (1) Gas Company, (2) Alberta Gas Trunk Line Company Limited, an Alberta corporation (hereinafter called Trunkline) proposing to

transport gas in Alberta for the Project, (3) Pacific Gas Transmission Company, a California corporation proposing to purchase gas from Gas Company at the International Boundary and to transport the gas across Idaho, Washington and Oregon to California for sale and delivery to P. G and E., and (4) P. G. and E.; and

WHEREAS Gas Company has contracts and will obtain additional contracts for the purchase of natural gas from certain fields in the Province of Alberta and proposes to export the principal amount of such gas to California by means of The Project.

NOW THEREFORE the parties agree as follows:

1. DEFINITIONS

For the purpose of this Contract the following words and terms are defined as follows:

1.1 The word "day" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 8:00 o'clock a.m. Mountain Standard Time.

1.2 The word "month" shall mean a period beginning at 8:00 o'clock a.m. on the first day of a calendar month and ending at 8:00 o'clock a.m. on the first day of the next succeeding calendar month.

1.3 The word "gas" shall mean natural gas.

1.4 The term "cubic foot" of gas shall mean that quantity of gas which, at a temperature of sixty degrees (60°) Fahrenheit and at a pressure of 14.73 pounds per square inch absolute, occupies one (1) cubic foot.

1.5 The term "Mcf" shall mean one thousand (1,000) cubic feet of gas and shall be measured as set forth in paragraph 9 hereof.

1.6 The term "BTU" shall mean British Thermal Unit.

1.7 The term "gross heating value" shall mean the number of BTU's in a cubic foot of gas saturated with water vapor.

1.8 The term "psig" shall mean pounds per square inch gauge.

2. BASIC OBLIGATIONS AND CONDITIONS

2.1 Before The Project can be constructed and operated, all permits, certificates and other authorizations required under applicable laws and regulations must be obtained. Both parties agree that they will proceed with diligence to procure such authorizations as may be necessary for performing their obligations hereunder and for their participation in The Project, including such authorizations as may be required for any subsequent expansion of The Project.

2.2 Pipeline Company agrees that upon the obtaining of all such necessary authorizations by all participants in The Project, it will proceed with diligence to construct, maintain and operate, in accordance with best pipeline practice, a gas gathering and transmission system capable of transporting gas at rates of flow specified by Gas Company from the points of receipt designated in accordance with paragraph 5.1 to the points of delivery designated in accordance with paragraph 5.2.

2.3 Gas Company agrees to pay Pipeline Company in accordance with the monthly cost of service basis provided for in paragraph 12 for the gas transportation service rendered hereunder.

2.4 Pipeline Company agrees to charge its customers other than Gas Company, for any gas transportation service rendered to them, an equitable portion of its total cost of service.

3. TERM OF CONTRACT

This Contract shall be effective from the date hereof and shall continue for as long as The Project is able to operate in such manner as to accomplish its principal purpose.

4. QUANTITY OF GAS

4.1 Gas Company shall have the right to deliver or cause to be delivered, and Pipeline Company agrees to receive and transport, for the account of Gas Company, daily volumes of gas up to the full capacity of Pipeline Company's pipeline facilities.

4.2 Pipeline Company agrees to deliver to Pacific Gas Transmission Company after transportation hereunder the same quantity of gas received from Gas Company, less such quantities of gas described in paragraphs 4.3 and 4.4 and less such quantities of gas (hereinafter called "off-line deliveries") delivered pursuant to orders of Gas Company upstream from the principal point of delivery.

4.3 Gas Company will furnish gas to Pipeline Company for fuel and other company uses; and Pipeline Company will pay Gas Company each month, at the weighted average price paid by Gas Company for such gas during such month, for all gas used for fuel, other company uses, line losses and other unaccounted for gas including gas lost through explosion, fire or other calamity during such month. Any sums so paid to Gas Company shall be charged as reasonable and necessary gas operating expenses for the billing month.

4.4 Gas Company will furnish to Pipeline Company such quantities of gas as may be required by Pipeline Company to purge and test newly constructed portions of its pipeline system. Pipeline Company

will pay Gas Company each month for all gas so used, and such payments shall be charged as reasonable and necessary costs of construction of said pipeline system.

4.5 Gas Company and Pipeline Company shall notify each other from time to time, as necessary, of expected changes in the rates of delivery or receipt of gas, or in the pressures or other operating conditions, and the reason for such expected changes, to the end that the other party may be prepared to meet them when they occur.

5. POINTS OF RECEIPT AND DELIVERY

5.1 Point of Receipt: The point of receipt for all gas to be transported by Pipeline Company for the account of Gas Company shall be at the junction of the pipelines of Trunkline and Pipeline Company at a location to be mutually agreed upon in the vicinity of
Section 10, Township 8 N,
Range 5, W of 5th Meridian, Province of Alberta

5.2 Points of Delivery: The principal delivery point for gas to be transported hereunder shall be at the junction of the pipelines of Pipeline Company and Pacific Gas Transmission Company located at the International Boundary between the Province of British Columbia and the State of Idaho. Secondary points for off-line deliveries may from time to time be designated by Gas Company.

6. DELIVERY PRESSURE

6.1 Gas Company agrees to deliver, or cause to be delivered, the gas to Pipeline Company at such pressure as Pipeline Company may require from time to time up to the maximum of either eight

hundred (800) pounds per square inch gauge or the maximum pressure that can be made available at the point of receipt with the then existing facilities, whichever is higher.

6.2 Pipeline Company agrees to deliver the gas to Pacific Gas Transmission Company at such pressure as the latter may require from time to time up to the maximum of either seven hundred (700) pounds psig or the maximum pressure that can be made available at the principal point of delivery with the then existing facilities, whichever is higher.

6.3 Pipeline Company agrees to deliver gas at secondary points of delivery at the pressure specified by Gas Company.

7. QUALITY OF GAS

7.1 Quality Standards: The gas which Gas Company delivers or causes to be delivered to Pipeline Company for transportation hereunder, and which Pipeline Company delivers at the direction of Gas Company, shall be merchantable gas, at all times complying with the following quality requirements:

(a) Heating Value: The gas delivered hereunder shall have a gross heating value of not less than nine hundred and seventy-five (975) BTUs per cubic foot, unless otherwise specified by Gas Company.

(b) Freedom from Objectionable Matter: The gas delivered hereunder:

(1) Shall be commercially free from sand, dust, gums, crude oil, impurities and other objectionable substances which may be injurious to pipe lines or which may interfere with its transmission through pipe lines or its commercial utilization.

(2) Shall not have a hydrocarbon dew-point in excess of fifteen degrees (15°) Fahrenheit at pressures up to eight hundred (800) pounds per square inch gauge.

(3) Shall not contain more than one (1) grain of hydrogen sulphide per one hundred (100) cubic feet.

(4) Shall not contain more than ten (10) grains of total sulphur per one hundred (100) cubic feet.

(5) Shall not contain more than two percent (2%) by volume of carbon dioxide.

(6) Shall not contain more than four (4) pounds of water vapor per one million (1,000,000) cubic feet.

(7) Shall not exceed one hundred and ten degrees (110°) Fahrenheit in temperature at the point of delivery.

(8) Shall be as free of oxygen as it can be kept through the exercise of all reasonable precautions, and shall not in any event contain more than four-tenths percent (0.4%) by volume oxygen.

7.2 Quality Tests

(a) At the point of receipt or at such other points as may be mutually agreed upon Pipeline Company shall take gas samples for determining the gross heating value of gas received for transportation hereunder. Such samples shall be tested by Pipeline Company utilizing a Cutler-Hammer recording calorimeter, or the equivalent, operated and maintained in accordance with General Order No. 58B, "Standards of Calorimetry for Gaseous Fuels," approved December 28, 1955, by the Public Utilities Commission of the State of California, or any subsequent revision thereof acceptable to both

parties. The gas samples to be tested shall be representative of the gas received hereunder at the time such samples are taken and may be either spot samples or samples taken over a period of time. Samples shall be taken at reasonable intervals by Pipeline Company. The gross heating value determined by any test shall apply to the gas received hereunder from the date the spot sample was taken or from the commencement date of a sample taken over a period of time, as the case may be, until the next test. The gross heating value per cubic foot of gas shall be determined for any month by taking the arithmetical average of the daily heating values as determined in accordance with this paragraph 7.2(a).

(b) At the point of receipt or at such other points as may be mutually agreed upon Gas Company shall cause tests to be made to determine the total sulphur, hydrogen sulphide, mercaptan sulphur, carbon dioxide and oxygen content of the gas, by approved standard methods in general use in the gas industry, and to determine the water vapor content of such gas by the use of a dew-point apparatus approved by both parties. Tests shall be made frequently enough to assure that the gas is conforming continuously to the quality requirements. Pipeline Company shall have the right to require Gas Company to have remedied any deficiency of the gas in quality and, in the event such deficiency is not remedied, the right, in addition to all other remedies available to it by law, to refuse to accept such deficient gas for transportation hereunder until such deficiency is remedied.

(c) At the principal point of delivery the quality tests provided for in paragraph (b), above, shall be made by Pipeline

Company at its expense, frequently enough to insure that the gas is conforming continuously to the quality requirements.

8. MEASURING EQUIPMENT

8.1 Installation

(a) At the point of receipt all gas volume measuring equipment, devices and materials shall be furnished, installed, maintained and operated by Pipeline Company at its expense. Gas Company and Trunkline may install and operate check measuring equipment provided it does not interfere with the use of Pipeline Company's equipment.

(b) At each point of delivery Pipeline Company shall furnish, install, maintain and operate all gas volume measuring equipment, devices and materials if and as specified by Gas Company.

8.2 Testing Meter Equipment: The accuracy of each party's measuring equipment shall be verified by test, using means and methods acceptable to the other party, at least once each month, or at such other interval as may be mutually agreed upon, and at other times upon request of the other party. Notice of the time and nature of each test shall be given by the party conducting the test to the other party sufficiently in advance to permit convenient arrangement for the presence of the representative of the other party. If, after notice, the other party fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. If any of the measuring equipment is found to be registering inaccurately in any percentage, it shall be adjusted at once to read as accurately as possible. All tests of such measuring equipment shall be made at the expense

of the party conducting the same, except that the other party shall bear the expense of tests made at its request if the inaccuracy is found to be two percent (2%) or less.

8.3 Correction and Adjustment: If at any time any of the measuring equipment is registering inaccurately by an amount exceeding two percent (2%) at a reading corresponding to the average hourly rate of flow, the previous readings of such equipment shall be corrected to zero error for any period definitely known or agreed upon, or if not so known or agreed upon, for a period of sixteen (16) days or one-half ($\frac{1}{2}$) of the elapsed time since the last test, whichever is shorter. If the measuring equipment is out of service, the volume of gas delivered during such period shall be determined:

(a) By using the data recorded by any check measuring equipment accurately registering; or

(b) If such check measuring equipment is not registering accurately but the percentage of error is ascertainable by a calibration test, by using the data recorded, corrected to zero error; or

(c) If neither of the methods provided in (a) and (b) above can be used, by estimating the quantity delivered, by reference to deliveries under similar conditions during a period when the equipment was registering accurately.

No correction shall be made in the recorded volumes of gas delivered hereunder for inaccuracies in measuring equipment of two percent (2%) or less.

9. MEASUREMENTS

9.1 Metering: The gas shall be metered by one or more orifice meters installed and maintained, and volumes shall be measured

(except for correction for deviation from Boyle's Law), in accordance with the methods prescribed in "Orifice Metering of Natural Gas," Gas Measurement Committee Report No. 3, of the American Gas Association, including the Appendix thereto, as published April 1955, or any subsequent revision thereof acceptable to both parties.

9.2 Deviation from Boyle's Law: Correction shall be made for deviation of the gas from Boyle's Law at the pressure and temperature at which the gas is metered. To determine the factors for such correction a quantitative analysis of the gas shall be made at reasonable intervals with such apparatus as shall be agreed upon by both parties, and such factors shall be obtained from data contained in "Supercompressibility Factors for Natural Gas," Volumes 1 through 6, inclusive, or in "Tables for the Determination of Supercompressibility Factors for Natural Gas Containing Nitrogen and/or Carbon Dioxide," Volume 7, as published by the American Gas Association in 1955, or any subsequent revision thereof acceptable to both parties.

9.3 Specific Gravity: Tests to determine the specific gravity of the gas being metered shall be made in accordance with the American Petroleum Institute's Recommended Practice 50A dated June 1957, or any subsequent revision thereof acceptable to both parties. The gas samples to be tested shall be representative of the gas delivered hereunder at the point of receipt or delivery at the time such samples are taken and may be either spot samples or samples taken over a period of time. Samples shall be taken at reasonable intervals by the party conducting the tests, provided that additional samples shall be taken when requested by the other

party. The specific gravity determined by any test shall apply to the gas delivered hereunder from the date the spot sample was taken or from the commencement date of a sample taken over a period of time, as the case may be, until the next test.

9.4 Flowing Temperature: The flowing temperature of the gas being metered shall be determined by means of a recording thermometer of a type acceptable to both parties, installed and maintained in accordance with the specifications set forth in said Gas Measurement Committee Report No. 3. The arithmetical average of readings each day shall be deemed the gas temperature and used in computing the volumes of gas metered during such day.

10. INSPECTION OF EQUIPMENT AND RECORDS

10.1 Transmittal of Records to Gas Company: Pipeline Company shall send to Gas Company copies of all measuring and testing charts, data and information collected at point of receipt as soon as practicable after daily collection thereof so that Gas Company can keep current information on the volumes, BTU content and quality of the gas delivered to Pipeline Company.

10.2 Inspection of Equipment and Data: Each party shall have the right to inspect equipment installed or furnished by the other, and the charts and other measurement or test data of the other, at all times during business hours; but the reading, calibration and adjustment of such equipment and changing of charts shall be done only by the party installing or furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data, charts and other similar records in such party's possession, for a period of at least six (6) years.

10.3 Information for Billing: When information necessary for billing by Pipeline Company is in the control of Gas Company, Gas Company shall furnish such information for the billing month to Pipeline Company on or before the seventh (7th) day of the month following the billing month.

10.4 Verification of Computations: Both Gas Company and Pipeline Company shall have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to this Contract.

11. BILLING AND PAYMENT

11.1 Billing: On or before the twentieth (20th) day of each month, Pipeline Company shall render a bill to Gas Company for the service rendered during the previous month (herein called the billing month).

11.2 Payment: On or before the thirtieth (30th) day of each month Gas Company shall pay Pipeline Company in lawful money of Canada at Pipeline Company's office, Calgary, Alberta, for the actual cost of service rendered during the billing month as billed by Pipeline Company in accordance with this paragraph 11.

11.3 Interest on Unpaid Amounts: Should Gas Company fail to pay the amount of any statement rendered by Pipeline Company as herein provided when such amount is due, interest thereon shall accrue at the rate of six percent (6%) per annum from the due date until the date of payment.

11.4 Remedies for Failure to Pay: If such failure to pay continues for sixty (60) days after payment is due, Pipeline Company, in addition to any other remedy it may have, may suspend further receipt and delivery of gas until such amount is paid unless Gas Company in good faith disputes the amount owing and pays such amount as it concedes to be correct. Either party may submit to arbitration in accordance with paragraph 17 any dispute as to the amount due Pipeline Company for service rendered hereunder.

11.5 Late Billing: If presentation of a bill by Pipeline Company is delayed after the twentieth (20th) day of the month, then the time for payment shall be extended correspondingly unless Gas Company is responsible for such delay.

11.6 Correction of Billing Errors: In the event an error is discovered in the amount billed in any statement rendered by Pipeline Company, the amount of such error shall be adjusted, provided that claim therefor shall have been made within twelve (12) months from the date of such statement. The adjustment shall be made within thirty (30) days of such timely claim.

12. COST OF SERVICE

For gas transportation service rendered to Gas Company during the billing month, Gas Company shall pay to Pipeline Company its cost of rendering such service.

12.1 Calculation: Such cost of service shall equal the sum of the following amounts:

(a) Operating Expenses: Reasonable and necessary operating expenses for the billing month properly charged to Accounts 733 to 809 inclusive of the Uniform System of Accounts Prescribed for Natural Gas Companies by the Federal Power Commission as amended January 1, 1954.

(b) Depreciation: One-twelfth ($1/12$) of the annual depreciation expense computed by the application of annual straight line depreciation rates to the actual legitimate investment in depreciable gas plant. In order to distribute equitably the cost of the facilities over the lifetime of The Project, the applicable annual depreciation rate shall be $\frac{1}{P-(n-1)}$ times the difference between the total investment and the balance in the depreciation reserve, both taken at the beginning of the nth year. (The symbol P represents a number equal to the number of years in the duration of (a) the Export Permit granted by the Oil and Gas Conservation Board of Alberta, or (b) the Export License granted by the Minister of Trade and Commerce for Canada, or (c) the weighted average of the estimated physical life of the components of the depreciable gas plant, whichever is shortest. The symbol n is the number of the particular year in question and is either equal to or less than P.)

For example:

First year depreciation: $\frac{1}{P}$ of the total investment.

Second year depreciation: $\frac{1}{P-1}$ of the difference between the total investment and the balance in the depreciation reserve, both taken at the beginning of the second year.

At such time as the aforesaid export permits are renewed, extended or supplemented or modified so as to prolong the export period, the unrecovered cost of the plant shall be determined and depreciation rates redetermined by the same method.

A depreciation reserve account shall be set up and maintained under conventional accounting practice in accordance with the foregoing.

(c) Amortization: Accruals recorded for the billing month for amortization of (i) amounts which would be classified as amortizable under Accounts 504, 505 and 506 of the aforesaid system of accounts and (ii) all pre-operation costs of Gas Company incurred for Project purposes (for example, cost of obtaining governmental authorizations, cost of negotiating contracts, interest on funds borrowed, tax and administrative and general expenses) to the extent, if any, that such costs are not amortizable under one of the above accounts.

(d) Taxes: Accruals recorded for the billing months with respect to income and other taxes associated with natural gas operations, adjustment of accruals for tax expenses included in previous bills and any taxes paid but not included in previous bills.

(e) Return: Return at an annual rate of seven and one-half percent (7-1/2%) computed for each billing month by the application of the monthly rate of 0.625% to the net investment base determined as follows:

As of the date of initial operation and as of each January 1 and July 1 thereafter, a net investment base shall be calculated from the sum of the items listed below, provided, however, that whenever a substantial addition or retirement of property occurs, Pipeline Company shall recompute the rate base in accordance with this paragraph, effective the first day of the month following the date of commercial operation of such addition or the effective date of such retirement of property:

(1) The actual legitimate original investment in gas plant in service, gas plant held for future use, and facilities in process of construction but actually being used in gas operations, less the balance in depreciation and amortization reserves and contributions in aid of construction.

(2) Working capital allowance represented by the sum of (a) the average of the monthly balances of prepayments, necessary materials and supplies for operating purposes, (b) cash working capital equivalent to one-eighth ($1/8$) of cash operating expenses (exclusive of gas purchased) for the preceding twelve (12) month period less fifty percent (50%) of the annual amount included in the cost of service for income taxes for the preceding twelve (12) months before the date of computation of the rate base hereunder, and (c) the unamortized balance of amounts being amortized under subparagraph 12.1(c), if any, which are not included under division (1) of this subparagraph (e); provided that during the first twelve (12) months of service by Pipeline Company the cash working capital shall be estimated as \$_____

(f) Credits: Credits for charges made by Pipeline Company for transportation service rendered to customers other than Gas Company.

12.2 Adjustment for Accrued and Deferred Items: Income and expense accounts for each month shall reflect accrued and deferred items. Accruals shall be adjusted to reflect the difference between accruals and actual amounts when conclusive determinations and settlements are made.

13. FORCE MAJEURE

13.1 If either party to this Contract shall fail to perform any obligation hereby imposed upon it and such failure shall be caused, or materially contributed to, by any acts of God, strikes, lockouts, or other industrial disturbances, acts of the Queen's enemies, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, arrests, restraints of rulers and peoples, civil disturbances, explosions, breakage of or accident to machinery or lines of pipe, hydrate obstructions of lines of pipe, inability to obtain pipe,

materials or equipment including those necessary for The Project, any legislative, administrative or judicial action which has been resisted in good faith by all reasonable legal means, any act or omission whether of the kind herein enumerated or otherwise not within the control of the party invoking this paragraph and which by the exercise of due diligence such party could not have prevented, or shall be occasioned by the necessity for making repairs to or reconditioning machinery, equipment, or pipelines, not resulting from the fault or negligence of such party, such failure shall be deemed not to be a breach of the obligation of such party hereunder, but such party shall use reasonable diligence to put itself in a position to carry out its obligations hereunder. Nothing contained herein shall be construed to require either party to settle a strike or lockout by acceding against its judgment to the demands of the opposing parties.

13.2 No such cause affecting the performance of this Contract by either party shall continue to relieve such party from its obligation after the expiration of a reasonable period of time within which by the use of due diligence such party could have remedied the situation preventing its performance, nor shall any such cause relieve either party from its obligation to make payment of amounts due and owing hereunder before the occurrence of such cause, nor shall any such cause relieve either party from any obligation hereunder unless such party shall give notice thereof in writing to the other party with reasonable promptness: and like notice shall be given upon termination of such cause.

13.3 Whenever any such cause results in an impairment of the transmission capacity of Pipeline Company's facilities to the extent that there is a reduction in the daily volumes of gas that otherwise would have been delivered by Pipeline Company to Pacific Gas Transmission Company or to other purchasers of gas from Gas Company, then the monthly cost of service charge payable by Gas Company under paragraph 12 shall be diminished by an amount equal to the total monthly charge which otherwise would have been payable under paragraph 12 multiplied by the fraction whose numerator is that quantity of gas incapable of delivery during the billing month because of such cause and whose denominator is the total quantity of gas, determined at the end of the billing month, which otherwise would have been delivered during that month if no such cause had interfered.

13.4 If any of The Project's then existing governmental authorizations to purchase, transport, export or import gas is modified, whether by legislative, administrative or judicial action, in any way that results in diminishing the quantity of gas, determined at the end of the billing month, which otherwise would have been delivered through the facilities of Pipeline Company during that month, then the monthly cost of service charge payable by Gas Company under paragraph 12 shall be diminished by an amount equal to the total such monthly charge which otherwise would have been payable under paragraph 12 multiplied by the fraction whose numerator

is that quantity of gas incapable of delivery during the billing month because of such modification and whose denominator is the total quantity of gas which otherwise would have been delivered during that month if no such modification had occurred, provided, however, that such modification was resisted in good faith by all reasonable legal means.

14. WARRANTY OF TITLE

Gas Company warrants the title of all gas delivered for transportation hereunder and the right to deliver the same for transportation and that such gas will be free from all liens and adverse claims.

15. POSSESSION OF GAS AND RESPONSIBILITY

As between Gas Company and Pipeline Company, Pipeline Company shall be deemed to be in control and possession of, and responsible for, all gas to be transported hereunder from the time that such gas is received by it at the point of receipt for the account of Gas Company until such gas shall have been delivered at the points of delivery determined in accordance with paragraph 5.

16. LIABILITY OF PARTIES

Gas Company and Pipeline Company each assume full responsibility and liability for the maintenance and operation of its respective properties and shall indemnify and save harmless the other party from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons, arising from any act or accident in connection with the installation, presence, maintenance and operation of the property (other than gas) and equipment of the indemnifying party, or in connection with the presence of gas in the control and possession of the indemnifying party.

17. ARBITRATION

Any arbitration provided for in this Contract or agreed to by the parties shall be conducted in accordance with the following procedures and principles:

Upon the written demand of either party and within ten (10) days from the date of such demand, each party shall appoint an arbitrator and the two arbitrators so appointed shall promptly thereafter appoint a third. If either party shall fail to appoint an arbitrator within ten (10) days from the date of such demand, then the arbitrator shall be appointed by a judge of the Supreme Court of Alberta. If the two arbitrators shall fail within ten (10) days from their appointment to agree upon and appoint the third arbitrator, then upon the application of either party, such third arbitrator shall be appointed by a judge of the Supreme Court of Alberta.

The arbitrators shall proceed immediately to hear and determine the matter in controversy. The award of the arbitrators, or a majority of them, shall be made within forty-five (45) days after the appointment of the third arbitrator, subject to any reasonable delay due to unforeseen circumstances.

The award of the arbitrators shall be drawn up in writing and signed by the arbitrators, or a majority of them, and shall be final and binding on the parties, and the parties shall abide by the award and perform the terms and conditions thereof. Unless otherwise determined by the arbitrators the fees and expenses of the arbitrator named for each party shall be paid by that party and the fees and expenses of the third arbitrator shall be paid in equal proportion by both parties.

18. MISCELLANEOUS PROVISIONS

18.1 Waiver of Default: No waiver by either party of any default by the other under this Contract shall operate as a waiver of any continuing or future default, whether of a like or different character.

18.2 Assignability: This Contract shall bind and inure to the respective successors and assigns of the parties hereto, but no assignment shall release either party from such party's obligations hereunder without the written consent of the other party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent either party from pledging or mortgaging its rights hereunder as security for its indebtedness.

18.3 Address of Parties: Every request, notice, statement and bill provided for in this Contract shall be in writing and each of them and every payment provided for herein shall be directed to the party to whom given, made or delivered at such party's address as follows:

Alberta and Southern Gas Co. Ltd.
140 Sixth Avenue, S.W.
Calgary, Alberta

S & M Pipeline Limited
140 Sixth Avenue, S.W.
Calgary, Alberta

Either party may change its address by giving written notice to the other party. Any notice hereunder shall be deemed to have been given forty-eight (48) hours after such notice has been deposited in a Post Office with requisite postage thereon.

18.4 Contract Subject to Laws: This Contract and the rights and obligations of the parties hereunder are subject to all present and future laws, rules, regulations and orders of any legislative body or duly constituted authority now or hereafter having jurisdiction.

18.5 Law for Interpretation: This Contract shall be construed in accordance with the laws of the Province of Alberta.

18.6 Effect of Headings: The headings used throughout this Contract are inserted for reference purposes only and are not to be considered or taken into account in construing the terms and provisions of any paragraph nor to be deemed in any way to qualify, modify or explain the effects of any such provision or terms.

IN WITNESS WHEREOF this Contract has been properly executed by the parties hereto with the corporate seal of each having

been properly affixed and attested as of the day and year first above written.

ALBERTA AND SOUTHERN GAS CO. LTD.

By J. K. HORTON
President

By R. L. WINTON
Secretary

S & M PIPELINE LIMITED

By ROBERT H. GERDES
Attorney-in-Fact

Hearing No.

Exhibit No.

Date

Witness

GAS SALE CONTRACT
ALBERTA AND SOUTHERN GAS CO. LTD.
AND
CANADIAN-MONTANA PIPE LINE COMPANY

ALBERTA AND SOUTHERN GAS CO. LTD.

GAS SALE CONTRACT

ALBERTA AND SOUTHERN GAS CO. LTD.

and

CANADIAN-MONTANA PIPE LINE COMPANY

TABLE OF CONTENTS

<u>Paragraph</u>		<u>Page</u>
1.	DEFINITIONS	2
2.	BASIC OBLIGATIONS AND CONDITIONS.	3
3.	TERM OF CONTRACT.	4
4.	QUANTITY OF GAS	4
5.	POINT OF DELIVERY	5
6.	DELIVERY PRESSURE	5
7.	QUALITY OF GAS	6
7.1	Quality Standards.	6
	(a) Heating Value	6
	(b) Freedom from Objectionable Matter	6
7.2	Quality Tests	7
8.	MEASURING EQUIPMENT	8
8.1	Installation	8
8.2	Testing Meter Equipment.	9
8.3	Correction and Adjustment.	9
9.	MEASUREMENTS	10
9.1	Metering	10
9.2	Deviation from Boyle's Law	10
9.3	Specific Gravity	11
9.4	Flowing Temperature.	11
10.	INSPECTION OF EQUIPMENT AND RECORDS	12
10.1	Transmittal of Records to Gas Company	12
10.2	Inspection of Equipment and Data	12
10.3	Information for Billing	12
10.4	Verification of Computations	13

11.	BILLING AND PAYMENT	13
11.1	Billing	13
11.2	Payment	13
11.3	Interest on Unpaid Amounts	13
11.4	Remedies for Failure to Pay	14
11.5	Late Billing	14
11.6	Correction of Billing Errors	14
12.	COST OF SERVICE	14
12.1	Calculations	15
	(a) Cost of Gas	15
	(b) All other Costs	15
	(1) Operating Expenses	15
	(2) Depreciation	16
	(3) Amortization	17
	(4) Taxes	17
	(5) Return	17
	(6) Credits	17a
12.2	Adjustment for Accrued and Deferred Items . .	17a
12.3	Cost of Gas Produced by Gas Company	17a
12.4	Renegotiation of Proportion Under 12.1(b) . .	18
13.	FORCE MAJEURE	18
14.	WARRANTY AND PASSAGE OF TITLE	21
15.	POSSESSION OF GAS AND RESPONSIBILITY	21
16.	LIABILITY OF PARTIES	21
17.	ARBITRATION	21
18.	MISCELLANEOUS PROVISIONS	23
18.1	Waiver of Default	23
18.2	Assignability	23
18.3	Address of Parties	23
18.4	Contract Subject to Laws	24
18.5	Law for Interpretation	24
18.6	Effect of Headings	24

THIS GAS SALE CONTRACT made this 15th day of October,
1957.

BETWEEN:

ALBERTA AND SOUTHERN GAS CO. LTD., a body
corporate, having an office and carrying on
business in the City of Calgary, in the
Province of Alberta, (hereinafter referred
to as "Gas Company")

OF THE FIRST PART

- and -

CANADIAN-MONTANA PIPE LINE COMPANY, a body
corporate, having an office and carrying on
business in the City of Calgary, aforesaid,
(hereinafter referred to as "Montana Company")

OF THE SECOND PART

W I T N E S S E T H T H A T:

WHEREAS Gas Company has contracts and will obtain additional contracts for the purchase of natural gas from certain fields in the Province of Alberta and proposes to export the principal amount of such gas to California by means of The Project; and

WHEREAS The Project is a natural gas pipeline project whose principal purpose is the transportation of natural gas from Canada to the existing integrated transmission and distribution system of Pacific Gas and Electric Company (hereinafter referred to as P. G. and E.) in northern California; and

WHEREAS the participants in The Project are (1) Gas Company, (2) Alberta Gas Trunk Line Company Limited, an Alberta

corporation proposing to transport gas for The Project in Alberta, (3) S & M Pipeline Limited, a Canadian corporation proposing to transport gas for The Project from Alberta across British Columbia to the International Boundary, (4) Pacific Gas Transmission Company, a California corporation proposing to purchase gas from Gas Company at the International Boundary and to transport the gas across Idaho, Washington and Oregon to California for sale and delivery to P. G. and E., and (5) P. G. and E.; and

WHEREAS Montana Company, a subsidiary of The Montana Power Company, desires to purchase gas from Gas Company in Alberta and to transport the gas to the International Boundary for sale and delivery to The Montana Power Company.

NOW, THEREFORE, the parties agree as follows:

1. DEFINITIONS

For the purpose of this Contract the following words and terms are defined as follows:

1.1 The word "day" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 8:00 o'clock a.m. Mountain Standard Time.

1.2 The word "month" shall mean a period beginning at 8:00 o'clock a.m. on the first day of a calendar month and ending at 8:00 o'clock a.m. on the first day of the next succeeding calendar month.

1.3 The term "contract year" shall mean a period of twelve (12) consecutive months beginning with the month of July, the first

contract year to begin with the month of July next following the date gas is first delivered hereunder.

1.4 The word "gas" shall mean natural gas.

1.5 The term "cubic foot" of gas shall mean that quantity of gas which, at a temperature of sixty degrees (60°) Fahrenheit and at a pressure of 14.73 pounds per square inch absolute, occupies one (1) cubic foot.

1.6 The term "Mcf" shall mean one thousand (1,000) cubic feet of gas and shall be measured as set forth in paragraph 9 hereof.

1.7 The term "BTU" shall mean British Thermal Unit.

1.8 The term "gross heating value" shall mean the number of BTU's in a cubic foot of gas saturated with water vapor.

1.9 The term "psig" shall mean pounds per square inch gauge.

2. BASIC OBLIGATIONS AND CONDITIONS

2.1 Before The Project can be constructed and operated, all permits, certificates and other authorizations required under applicable laws and regulations must be obtained. Both parties agree that they will proceed with diligence to procure such authorizations as may be necessary for performing their obligations hereunder, including such authorizations as may be required for any subsequent expansion of their undertaking.

2.2 Montana Company agrees that upon the obtaining of all such necessary authorizations by it and all participants in The Project, it will proceed with diligence to construct, maintain and operate a gas transmission system capable of receiving all gas to be delivered by Gas Company in accordance with paragraph 4.

2.3 Gas Company agrees to sell and deliver, and Montana Company agrees to purchase and receive, daily volumes of gas in accordance with paragraph 4.

2.4 Montana Company agrees to pay Gas Company in accordance with the monthly cost of service basis provided for in paragraph 12 for the gas sold and delivered hereunder.

3. TERM OF CONTRACT

This Contract shall be effective from the date hereof and shall continue for as long as The Project is able to operate in such manner as to accomplish its principal purpose.

4. QUANTITY OF GAS

4.1 The Daily Contract Quantity is 30 MMcf per day or such higher amount as may from time to time be agreed upon by the parties.

4.2 Gas Company shall deliver each day to Montana Company the volumes of gas requested by Montana Company, not to exceed the Daily Contract Quantity in any one day unless Gas Company consents to deliver the requested excess quantity. Montana Company shall take during each contract year, if available hereunder, or pay for in accordance with paragraph 12.1(a), if available and not taken hereunder, a minimum average daily volume equal to ninety percent (90%) of the Daily Contract Quantity: provided, however, that Montana Company shall take, if available hereunder, not less than a minimum average daily volume equal to eighty percent (80%) of the Daily Contract Quantity during each month and a minimum volume equal to seventy-five percent (75%) of the Daily Contract Quantity on each and every day.

4.3 If Montana Company fails to take an average daily quantity equal to ninety percent (90%) of the Daily Contract Quantity during any contract year, Montana Company shall have the right, during the next two (2) succeeding contract years after it has taken an average daily quantity equal to ninety percent (90%) of the Daily Contract Quantity during each such year, to take a quantity of gas up to the quantity paid for but not taken, but not to exceed the Daily Contract Quantity in any one day unless Gas Company consents to deliver the requested excess quantity. Payments made pursuant to paragraph 4.2 for gas available but not taken shall be allowed as credits under paragraph 12.1(a) in the billing month when such gas is taken under this paragraph.

4.4 Gas Company and Montana Company shall notify each other from time to time, as necessary, of expected changes in the rates of delivery or receipt of gas, or in the pressures or other operating conditions, and the reason for such expected changes, to the end that the other party may be prepared to meet them when they occur.

5. POINT OF DELIVERY

The point of delivery for gas to be sold hereunder shall be at the junction of the pipelines of Alberta Gas Trunk Line Company Limited and Montana Company at a point near the international boundary, to be located by mutual agreement within Township 1, Range 22 West of the Fourth Meridian, Province of Alberta, or at such other location or locations as may be mutually agreed upon.

6. DELIVERY PRESSURE

Gas Company agrees to deliver the gas to Montana Company at such pressure as the latter may require from time to time up to the

maximum of either five hundred fifty-five (555) pounds psig or the maximum pressure that can be made available at the principal point of delivery with the then existing facilities, whichever is higher.

7. QUALITY OF GAS

7.1 Quality Standards: The gas which Gas Company delivers hereunder to Montana Company shall be merchantable gas, at all times complying with the following quality requirements:

(a) Heating Value: The gas delivered hereunder shall have a gross heating value of not less than nine hundred and seventy-five (975) BTUs per cubic foot, but, with the consent of Montana Company, gas at a lower gross heating value may be delivered.

(b) Freedom from Objectionable Matter: The gas delivered hereunder:

(1) Shall be commercially free from sand, dust, gums, crude oil, impurities and other objectionable substances which may be injurious to pipe lines or which may interfere with its transmission through pipe lines or its commercial utilization.

(2) Shall not have a hydrocarbon dew-point in excess of fifteen degrees (15°) Fahrenheit at pressures up to eight hundred (800) pounds per square inch gauge.

(3) Shall not contain more than one (1) grain of hydrogen sulphide per one hundred (100) cubic feet.

(4) Shall not contain more than ten (10) grains of total sulphur per one hundred (100) cubic feet.

(5) Shall not contain more than two percent (2%) by volume of carbon dioxide.

(6) Shall not contain more than four (4) pounds of water vapor per one million (1,000,000) cubic feet.

(7) Shall not exceed one hundred and ten degrees (110°) Fahrenheit in temperature at the point of delivery.

(8) Shall be as free of oxygen as it can be kept through the exercise of all reasonable precautions, and shall not in any event contain more than four-tenths per cent (0.4%) by volume oxygen.

7.2 Quality Tests

(a) At the point of delivery, or at such other points as may be mutually agreed upon, Montana Company shall take gas samples for determining the gross heating value of gas received for transportation hereunder. Such samples shall be tested by Montana Company utilizing a Cutler-Hammer recording calorimeter, or the equivalent, operated and maintained in accordance with General Order No. 58B, "Standards of Calorimetry for Gaseous Fuels", approved December 28, 1955, by the Public Utilities Commission of the State of California, or any subsequent revision thereof acceptable to both parties. The gas samples to be tested shall be representative of the gas delivered hereunder at the time such samples are taken and may be either spot samples or samples taken over a period of time. Samples shall be taken at reasonable intervals by Montana Company. The gross heating value determined by any test shall apply to the gas received hereunder from the date the spot

sample was taken or from the commencement date of a sample taken over a period of time, as the case may be, until the next test. The gross heating value per cubic foot of gas shall be determined for any month by taking the arithmetical average of the daily heating values as determined in accordance with this paragraph 7.2(a).

(b) At the point of delivery or at such other points as may be mutually agreed upon, Gas Company shall cause tests to be made to determine the total sulphur, hydrogen sulphide, mercaptan sulphur, carbon dioxide and oxygen content of the gas, by approved standard methods in general use in the gas industry, and to determine the water vapor content of such gas by the use of a dew-point apparatus approved by both parties. Tests shall be made frequently enough to assure that the gas is conforming continuously to the quality requirements. Montana Company shall have the right to require Gas Company to have remedied any deficiency of the gas in quality and, in the event such deficiency is not remedied, the right, in addition to all other remedies available to it by law, to refuse to accept such deficient gas until such deficiency is remedied.

8. MEASURING EQUIPMENT

8.1 Installation: At the point of delivery all gas volume measuring equipment, devices and materials shall be furnished, installed, maintained and operated by Montana Company at its expense. Gas Company and Alberta Gas Trunk Line Company Limited may install and operate check measuring equipment provided it does not interfere with the use of Montana Company's equipment.

8.2 Testing Meter Equipment: The accuracy of each party's measuring equipment shall be verified by test, using means and methods acceptable to the other party, at least once each month or at such other interval as may be mutually agreed upon, and at other times upon request of the other party. Notice of the time and nature of each test shall be given by the party conducting the test to the other party sufficiently in advance to permit convenient arrangement for the presence of the representative of the other party. If, after notice, the other party fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. If any of the measuring equipment is found to be registering inaccurately in any percentage, it shall be adjusted at once to read as accurately as possible. All tests of such measuring equipment shall be made at the expense of the party conducting the same, except that the other party shall bear the expense of tests made at its request if the inaccuracy is found to be two percent (2%) or less.

8.3 Correction and Adjustment: If at any time any of the measuring equipment is registering inaccurately by an amount exceeding two percent (2%) at a reading corresponding to the average hourly rate of flow, the previous readings of such equipment shall be corrected to zero error for any period definitely known or agreed upon, or if not so known or agreed upon, for a period of sixteen (16) days or one-half (1/2) of the elapsed time since the last test, whichever is shorter. If the measuring equipment is out of service, the volume of gas delivered during such period shall be determined:

(a) By using the data recorded by any check measuring equipment accurately registering; or

(b) If such check measuring equipment is not registering accurately but the percentage of error is ascertainable by a calibration test, by using the data recorded, corrected to zero error; or

(c) If neither of the methods provided in (a) and (b) above can be used, by estimating the quantity delivered, by reference to deliveries under similar conditions during a period when the equipment was registering accurately.

No correction shall be made in the recorded volumes of gas delivered hereunder for inaccuracies in measuring equipment of two percent (2%) or less.

9. MEASUREMENTS

9.1 Metering: The gas shall be metered by one or more orifice meters installed and maintained, and volumes shall be measured (except for correction for deviation from Boyle's Law), in accordance with the methods prescribed in "Orifice Metering of Natural Gas," Gas Measurement Committee Report No. 3, of the American Gas Association, including the Appendix thereto, as published April 1955, or any subsequent revision thereof acceptable to both parties.

9.2 Deviation from Boyle's Law: Correction shall be made for deviation of the gas from Boyle's Law at the pressure and temperature at which the gas is metered. To determine the factors for such correction a quantitative analysis of the gas shall be made at

reasonable intervals with such apparatus as shall be agreed upon by both parties, and such factors shall be obtained from data contained in "Supercompressibility Factors for Natural Gas," Volumes 1 through 6, inclusive, or in "Tables for the Determination of Supercompressibility Factors for Natural Gas Containing Nitrogen and/or Carbon Dioxide," Volume 7, as published by the American Gas Association in 1955, or any subsequent revision thereof acceptable to both parties.

9.3 Specific Gravity: Tests to determine the specific gravity of the gas being metered shall be made in accordance with the American Petroleum Institute's Recommended Practice 50A dated June 1957, or any subsequent revision thereof acceptable to both parties. The gas samples to be tested shall be representative of the gas delivered hereunder at the point of receipt or delivery at the time such samples are taken and may be either spot samples or samples taken over a period of time. Samples shall be taken at reasonable intervals by the party conducting the tests, provided that additional samples shall be taken when requested by the other party. The specific gravity determined by any test shall apply to the gas delivered hereunder from the date the spot sample was taken or from the commencement date of a sample taken over a period of time, as the case may be, until the next test.

9.4 Flowing Temperature: The flowing temperature of the gas being metered shall be determined by means of a recording thermometer of a type acceptable to both parties, installed and maintained in

accordance with the specifications set forth in said Gas Measurement Committee Report No. 3. The arithmetical average of readings each day shall be deemed the gas temperature and used in computing the volumes of gas metered during such day.

10. INSPECTION OF EQUIPMENT AND RECORDS

10.1 Transmittal of Records to Gas Company: Montana Company shall send to Gas Company copies of all measuring and testing charts, data and information collected at each point of receipt as soon as practicable after daily collection thereof so that Gas Company can keep current information on the volumes, BTU content and quality of the gas delivered hereunder.

10.2 Inspection of Equipment and Data: Each party shall have the right to inspect equipment installed or furnished by the other, and the charts and other measurement or test data of the other, at all times during business hours; but the reading, calibration and adjustment of such equipment and changing of charts shall be done only by the party installing or furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data, charts and other similar records in such party's possession, for a period of at least six (6) years.

10.3 Information for Billing: When information necessary for billing by Gas Company is in the control of Montana Company, Montana Company shall furnish such information for the billing month to Gas Company on or before the third (3rd) working day of the month following the billing month.

10.4 Verification of Computations: Both Gas Company and Montana Company shall have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to this Contract.

11. BILLING AND PAYMENT

11.1 Billing: On or before the seventh (7th) working day of each month, Gas Company shall render to Montana Company both (a) a preliminary bill for service rendered during the previous month (herein called the billing month) and (b) an adjusted bill for the actual cost of service rendered during the month preceding the billing month. The preliminary bill shall be composed of (a) the amount computed for the cost of gas under paragraph 12.1(a) for the billing month and (b) the amount of all other costs under paragraph 12.1(b) included in the adjusted bill for the month preceding the billing month.

11.2 Payment: On or before the twenty-second (22nd) day of each month Montana Company shall pay Gas Company in lawful money of Canada at Gas Company's office, Calgary, Alberta, the amount of the preliminary bill rendered by Gas Company for the billing month in accordance with this paragraph 11, adjusted by Montana Company to account for the difference between the preliminary and adjusted bills for the month preceding the billing month.

11.3 Interest on Unpaid Amounts: Should Montana Company fail to pay the amount of any bill rendered by Gas Company as herein provided when such amount is due, interest thereon shall accrue at the

rate of six percent (6%) per annum from the due date until the date of payment.

11.4 Remedies for Failure to Pay: If such failure to pay continues for sixty (60) days after payment is due, Gas Company, in addition to any other remedy it may have, may suspend further delivery of gas until such amount is paid unless Montana Company in good faith disputes the amount owing and pays such amount as it concedes to be correct. Either party may submit to arbitration in accordance with paragraph 17 any dispute as to the amount due Gas Company hereunder.

11.5 Late Billing: If presentation of a bill by Gas Company is delayed after the due date provided in paragraph 11.1, then the time for payment shall be extended correspondingly unless Montana Company is responsible for such delay.

11.6 Correction of Billing Errors: In the event an error is discovered in the amount billed in any statement rendered by Gas Company, the amount of such error shall be adjusted, provided that claim therefor shall have been made within twelve (12) months from the date of such statement. The adjustment shall be made within thirty (30) days of such timely claim.

12. COST OF SERVICE

For gas purchased from Gas Company during the billing month, Montana Company shall pay to Gas Company a cost of service charge calculated in accordance with this paragraph.

12.1 Calculation: Such cost of service shall equal the sum of (a) and (b) below:

(a) Cost of gas: The cost to Gas Company of gas delivered hereunder during the billing month. This cost shall be computed by multiplying the total Mcf of such gas times the weighted average purchase price per Mcf paid by Gas Company for all gas purchased by Gas Company for delivery to it or for its account during the billing month. The cost of gas paid for but not taken, pursuant to paragraph 4.2, shall be included under this paragraph 12.1(a) in the last billing month of each contract year and shall be based on Gas Company's annual, rather than monthly weighted average purchase price. Credit shall be allowed when required under paragraph 4.3.

(b) All other costs: A proportion of Gas Company's total cost of service for gas purchasing, gathering, processing, transmitting and selling in the Province of Alberta during the billing month. This proportion shall be the fraction whose numerator is Montana Company's Daily Contract Quantity (paragraph 4.1) and whose denominator is the sum of the Daily Contract Quantities of Montana Company and Pacific Gas Transmission Company. Gas Company's total cost of service for costs in addition to cost of gas for the billing month shall equal the sum of the following amounts:

(1) Operating Expenses: Reasonable and necessary operating expenses for the billing month properly charged to Accounts 733 to 809 inclusive, except Account 745, of the Uniform System of Accounts Prescribed for Natural Gas Companies by the Federal Power Commission as amended January 1, 1954.

(2) Depreciation: One-twelfth ($1/12$) of the annual depreciation expense computed by the application of annual straight line depreciation rates to the actual legitimate investment in depreciable gas plant. In order to distribute equitably the cost of the facilities over the lifetime of The Project, the applicable annual depreciation rate shall be $\frac{1}{P-(n-1)}$ times the difference between the total investment and the balance in the depreciation reserve, both taken at the beginning of the nth year. (The symbol P represents a number equal to the number of years in the duration of (a) the Export Permit granted by the Oil and Gas Conservation Board of Alberta, or (b) the Export License granted by the Minister of Trade and Commerce for Canada, or (c) the weighted average of the estimated physical life of the components of the depreciable gas plant, whichever is shortest. The symbol n is the number of the particular year in question and is either equal to or less than P.)

For example:

First year depreciation: $\frac{1}{P}$ of the total investment.

Second year depreciation: $\frac{1}{P-1}$ of the difference between the total investment and the balance in the depreciation reserve, both taken at the beginning of the second year.

At such time as the aforesaid export permits are renewed, extended or supplemented or modified so as to prolong the export period, the unrecovered cost of the plant shall be determined and depreciation rates redetermined by the same method.

A depreciation reserve account shall be set up and maintained under conventional accounting practice in accordance with the foregoing.

(3) Amortization: Accruals recorded for the billing month for amortization of (i) amounts which would be classified as amortizable under Accounts 504, 505 and 506 of the aforesaid system of accounts and (ii) all pre-operation costs of Gas Company incurred for Project purposes (for example, cost of obtaining governmental authorizations, cost of negotiating contracts, interest on funds borrowed, tax, and administrative and general expenses) to the extent, if any, that such costs are not amortizable under one of the above accounts.

(4) Taxes: Accruals recorded for the billing month with respect to income and other taxes associated with natural gas operations, adjustments of accruals for tax expenses included in previous bills and any taxes paid but not included in previous bills.

(5) Return: Return at an annual rate of seven and one-half percent ($7\frac{1}{2}\%$) computed for each billing month by the application of the monthly rate of 0.625% to the net investment base determined as follows:

As of the date of initial operation and as of each January 1 and July 1 thereafter, a net investment base shall be calculated from the sum of the items listed below, provided, however, that whenever a substantial addition or retirement of property occurs, Gas Company shall recompute the rate base in accordance with this paragraph, effective the first day of the month following the date of commercial operation of such addition or the effective date of such retirement of property:

(1) The actual legitimate original investment in gas plant in service, gas plant held for future use, and facilities in process of construction but actually being used in gas operations,

less the balance in depreciation and amortization reserves and contributions in aid of construction.

(11) Working capital allowance represented by the sum of (a) the average of the monthly balances of prepayments, necessary materials and supplies for operating purposes, (b) cash working capital equivalent to one-eighth ($1/8$) of cash operating expenses (exclusive of gas purchased) for the preceding twelve (12) month period less fifty percent (50%) of the annual amount included in the cost of service for income taxes for the preceding twelve (12) months before the date of computation of the rate base hereunder provided that during the first twelve (12) months of service by Gas Company the cash working capital shall be estimated as \$_____, and (c) the unamortized balance of amounts being amortized under subparagraph 12.1(b)(3), if any, which are not included under division (i) of this subparagraph (5).

(6) Credits: Credit amounts for revenues received by Gas Company from other gas purchasers in the Province of Alberta as payment for service costs of the type described in paragraph 12.1(b), but not including payments of the type described in paragraph 12.1(a).

12.2 Adjustment for Accrued and Deferred Items: Income and expense accounts for each month shall reflect accrued and deferred items. Accruals shall be adjusted to reflect the difference between accruals and actual amounts when conclusive determinations and settlements are made.

12.3 Cost of Gas Produced by Gas Company: If and when gas for The Project is delivered to or for the account of Gas Company from production of its own the parties hereto will negotiate a supplement to this contract to provide the method of determining and apportioning Gas Company's cost of service to be included herein for such production.

12.4 Renegotiation of Proportion Under 12.1(b). If either Montana Company or Pacific Gas Transmission Company shall take, during any month, a total quantity of gas in excess of 105% of its contract quantity for that month (computed by multiplying the daily contract quantity by the number of days in the month in question) then either party shall, upon request, be entitled to a renegotiation to determine the equitable proportion of costs described in paragraph 12.1(b) to be paid by Montana under such conditions. In the event that the parties are unable to agree and either is dissatisfied with the manner in which negotiations are proceeding, such party shall have the right to refer the matter to arbitration in accordance with Paragraph 17.

13. FORCE MAJEURE

13.1 If either party to this Contract shall fail to perform any obligation hereby imposed upon it and such failure shall be caused, or materially contributed to, by any acts of God, strikes, lockouts, or other industrial disturbances, acts of the Queen's enemies, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, arrests, restraints of rulers and peoples, civil disturbances, explosions, breakage of or accident to machinery or lines of pipe, hydrate obstructions of lines of pipe, inability to obtain pipe, materials or equipment including those necessary for The Project, any legislative, administrative or judicial action which has been resisted in good faith by all reasonable legal means, or by the exercise by the Alberta Utilities of their gas priority right, or by any act of omission whether of the kind herein enumerated or otherwise not within the control of the party invoking this paragraph and which

by the exercise of due diligence such party could not have prevented, or shall be occasioned by the necessity for making repairs to or reconditioning machinery, equipment, or pipelines, not resulting from the fault or negligence of such party, such failure shall be deemed not to be a breach of the obligation of such party hereunder, but such party shall use reasonable diligence to put itself in a position to carry out its obligations hereunder. Nothing contained herein shall be construed to require either party to settle a strike or lockout by acceding against its judgment to the demands of the opposing parties.

13.2 No such cause affecting the performance of this Contract by either party shall continue to relieve such party from its obligation after the expiration of a reasonable period of time within which by the use of due diligence such party could have remedied the situation preventing its performance, nor shall any such cause relieve either party from its obligation to make payment of amounts due and owing hereunder before the occurrence of such cause, nor shall any such cause relieve either party from any obligation hereunder unless such party shall give notice thereof in writing to the other party with reasonable promptness; and like notice shall be given upon termination of such cause. Whenever any such cause affects the ability of Gas Company to deliver gas to both Montana and Pacific Gas Transmission Company any resulting curtailment shall, to the extent practicable, be divided between said recipients in proportion to their Daily Contract Quantities.

13.3 Whenever any such cause results in an impairment of the transmission capacity of facilities owned by Gas Company, to the extent that there is a reduction in the daily volumes of gas that otherwise would have been delivered to Montana Company, then the

monthly cost of service charge payable by Montana Company under paragraph 12.1(b) (exclusive of payment to others for transmission and/or compression of Gas Company's gas) shall be diminished by an amount equal to the total monthly charge which otherwise would have been payable under paragraph 12.1(b) (exclusive of certain payments to others as aforesaid) multiplied by the fraction whose numerator is that quantity of gas incapable of delivery during the billing month because of such cause and whose denominator is the total quantity of gas, determined at the end of the billing month, which otherwise would have been delivered during that month if no such cause had interfered.

13.4 If any of The Project's then existing governmental authorizations to purchase, transport, export or import gas is modified, whether by legislative, administrative or judicial action, in any way that results in diminishing the quantity of gas, determined at the end of the billing month, which otherwise would have been delivered to Montana Company hereunder during that month, then the monthly cost of service charge payable by Montana Company under paragraph 12.1(b) (exclusive of payment to others for transmission and/or compression of Gas Company's gas) shall be diminished by an amount equal to the total such monthly charge which otherwise would have been payable under paragraph 12.1(b) (exclusive of certain payments to others as aforesaid) multiplied by the fraction whose numerator is that quantity of gas incapable of delivery during the billing month because of such modification and whose denominator is the total quantity of gas which otherwise would have been delivered during that month if no such modification had occurred, provided, however, that such modification was resisted by Montana Company in good faith by all reasonable legal means.

14. WARRANTY AND PASSAGE OF TITLE

Gas Company warrants the title of all gas delivered hereunder and the right to deliver the same and that such gas will be free from all liens and adverse claims. Title to gas sold hereunder shall pass to Montana Company at the point of delivery.

15. POSSESSION OF GAS AND RESPONSIBILITY

As between Gas Company and Montana Company, Montana Company shall be deemed to be in control and possession of, and responsible for, all gas delivered hereunder from the time that such gas is received by it at the point of delivery.

16. LIABILITY OF PARTIES

Gas Company and Montana Company each assume full responsibility and liability for the maintenance and operation of its respective properties and shall indemnify and save harmless the other party from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons, arising from any act or accident in connection with the installation, presence, maintenance and operation of the property (other than gas) and equipment of the indemnifying party, or in connection with the presence of gas in the control and possession of the indemnifying party.

17. ARBITRATION

Any arbitration provided for in this Contract or agreed to by the parties shall be conducted in accordance with the following procedures and principles:

Upon the written demand of either party and within ten (10) days from the date of such demand, each party shall appoint an arbitrator and the two arbitrators so appointed shall promptly thereafter appoint a third. If either party shall fail to appoint an arbitrator within ten (10) days from the date of such demand, then the arbitrator shall be appointed by a judge of the Supreme Court of Alberta. If the two arbitrators shall fail within ten (10) days from their appointment to agree upon and appoint the third arbitrator, then upon the application of either party, such third arbitrator shall be appointed by a judge of the Supreme Court of Alberta.

The arbitrators shall proceed immediately to hear and determine the matter in controversy. The award of the arbitrators, or a majority of them, shall be made within forty-five (45) days after the appointment of the third arbitrator, subject to any reasonable delay due to unforeseen circumstances.

The award of the arbitrators shall be drawn up in writing and signed by the arbitrators, or a majority of them, and shall be final and binding on the parties, and the parties shall abide by the award and perform the terms and conditions thereof. Unless otherwise determined by the arbitrators the fees and expenses of the arbitrator named for each party shall be paid by that party and the fees and expenses of the third arbitrator shall be paid in equal proportion by both parties.

18. MISCELLANEOUS PROVISIONS

18.1 Waiver of Default: No waiver by either party of any default by the other under this Contract shall operate as a waiver of any continuing or future default, whether of a like or different character.

18.2 Assignability: This Contract shall bind and inure to the respective successors and assigns of the parties hereto, but no assignment shall release either party from such party's obligations hereunder without the written consent of the other party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent either party from pledging or mortgaging its rights hereunder as security for its indebtedness.

18.3 Address of Parties: Every request, notice, statement and bill provided for in this Contract shall be in writing and each of them and every payment provided for herein shall be directed to the party to whom given, made or delivered at such party's address as follows:

Alberta and Southern Gas Co. Ltd.
140 Sixth Avenue, S.W.
Calgary, Alberta

Canadian-Montana Pipe Line Company
301 8th Ave., West, 6th Floor
Calgary, Alberta

Either party may change its address by giving written notice to the other party. Any notice hereunder shall be deemed to have been given forty-eight (48) hours after such notice has been deposited in a Post Office with requisite postage thereon.

18.4 Contract Subject to Laws: This Contract and the rights and obligations of the parties hereunder are subject to all present and future laws, rules, regulations and orders of any legislative body or duly constituted authority now or hereafter having jurisdiction.

18.5 Law for Interpretation: This Contract shall be construed in accordance with the laws of the Province of Alberta.

18.6 Effect of Headings: The headings used throughout this Contract are inserted for reference purposes only and are not to be considered or taken into account in construing the terms and provisions of any paragraph nor to be deemed in any way to qualify, modify or explain the effects of any such provision or terms.

IN WITNESS WHEREOF this Contract has been properly executed by the parties hereto with the corporate seal of each having been properly affixed and attested as of the day and year first above written.

ALBERTA AND SOUTHERN GAS CO. LTD.

By J. K. HORTON
President
By R. L. WINTON
Secretary

CANADIAN-MONTANA PIPE LINE COMPANY

By SAM B. CHASE
Vice President
By D. J. McCAIG
Assistant Secretary

The MONTANA POWER COMPANY

GENERAL OFFICES
ELECTRIC BUILDING

BUTTE, MONTANA
November 29, 1957

Mr. Fred Searls
General Attorney
Pacific Gas & Electric Company
245 Market Street
San Francisco 6, California

Dear Fred:

In accordance with our phone conversation of November 27 regarding the Contract between Alberta and Southern Gas Co. Ltd. and the Canadian-Montana Pipe Line Company for the purchase of gas by the latter company from the former company it is understood that the intention of the parties under Paragraph 2, "Basic Obligations and Conditions" was to include the securing of any necessary import authorizations by The Montana Power Co. The Montana Power Company agrees that it will proceed with diligence to procure such authorizations as may be necessary to enable Canadian-Montana Pipe Line Company to perform its obligations under the aforesaid contract including such authorizations as may be required for any subsequent expansion of their undertaking.

Likewise under Paragraph 13.4 the reference to "The Project's then existing governmental authorizations" shall be deemed to include The Montana Power Company's then existing governmental authorizations in connection with this project.

If you are in accordance with the above will you please have an appropriate officer of the Alberta and Southern Gas Co. Ltd. sign an acceptance in the space below.

Yours very truly,

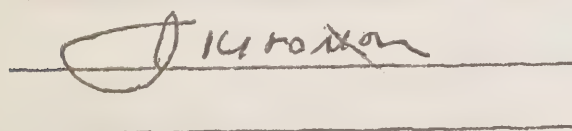


W. W. German
Vice President

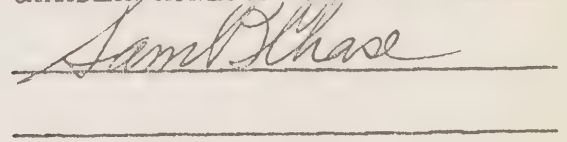
WWG/jr

Accepted December 4, 1957

ALBERTA AND SOUTHERN GAS CO. LTD.



CANADIAN-MONTANA PIPE LINE COMPANY



Hearing No.

Exhibit No.

Date

Witness

GAS SALE CONTRACT
ALBERTA AND SOUTHERN GAS CO. LTD.
AND
PACIFIC GAS TRANSMISSION COMPANY

ALBERTA AND SOUTHERN GAS CO. LTD.

GAS SALE CONTRACT

ALBERTA AND SOUTHERN GAS CO. LTD.

and

PACIFIC GAS TRANSMISSION COMPANY

TABLE OF CONTENTS

<u>Paragraph</u>	<u>Page</u>
1. DEFINITIONS	2
2. BASIC OBLIGATIONS AND CONDITIONS	3
3. TERM OF CONTRACT	4
4. QUANTITY OF GAS	4
5. POINT OF DELIVERY	6
6. DELIVERY PRESSURE	6
7. QUALITY OF GAS	6
7.1 Quality Standards	6
{a} Heating Value	7
{b} Freedom from Objectionable Matter	7
7.2 Quality Tests	8
8. MEASURING EQUIPMENT	10
8.1 Installation	10
8.2 Testing Meter Equipment	10
8.3 Correction and Adjustment	11
9. MEASUREMENTS	12
9.1 Metering	12
9.2 Deviation from Boyle's Law	12
9.3 Specific Gravity	13
9.4 Flowing Temperature	13
10. INSPECTION OF EQUIPMENT AND RECORDS	14
10.1 Transmittal of Records to Gas Company	14
10.2 Inspection of Equipment and Data	14
10.3 Information for Billing	14
10.4 Verification of Computations	15

11.	BILLING AND PAYMENT	15
11.1	Billing	15
11.2	Payment	15
11.3	Interest on Unpaid Amounts	16
11.4	Remedies for Failure to Pay	16
11.5	Late Billing	16
11.6	Correction of Billing Errors	16
12.	COST OF SERVICE	17
12.1	Calculation	17
	(a) Cost of Gas	17
	(b) All Other Costs	17
	(1) Operating Expenses	18
	(2) Depreciation	18
	(3) Amortization	19
	(4) Taxes	19
	(5) Return	20
	(6) Credits	21
12.2	Adjustment for Accrued and Deferred Items .	21
12.3	Cost of Gas Produced by Gas Company	21
12.4	Renegotiation of Proportion Under 12.1(b). .	21
13.	FORCE MAJEURE	22
14.	WARRANTY AND PASSAGE OF TITLE	25
15.	POSSESSION OF GAS AND RESPONSIBILITY	26
16.	LIABILITY OF PARTIES	26
17.	ARBITRATION	26
18.	MISCELLANEOUS PROVISIONS	28
18.1	Waiver of Default	28
18.2	Assignability	28
18.3	Address of Parties	28
18.4	Contract Subject to Laws	29
18.5	Law for Interpretation	29
18.6	Effect of Headings	29

THIS GAS SALE CONTRACT made this 15th day of
October, 1957.

BETWEEN:

ALBERTA AND SOUTHERN GAS CO. LTD., a body
corporate, having an office and carrying on
business in the City of Calgary, in the
Province of Alberta, (hereinafter referred
to as "Gas Company")

OF THE FIRST PART

- and -

PACIFIC GAS TRANSMISSION COMPANY, a corporation
existing under the laws of California, having
its principal office in the City of San Francisco,
California, (hereinafter referred to as "Pacific
Transmission")

OF THE SECOND PART

W I T N E S S E T H T H A T :

WHEREAS Gas Company has contracts and will obtain
additional contracts for the purchase of natural gas from
certain fields in the Province of Alberta and proposes to
export the principal amount of such gas to California by
means of The Project; and

WHEREAS The Project is a natural gas pipeline
project whose principal purpose is the transportation of
natural gas from Canada to the existing integrated transmission
and distribution system of Pacific Gas and Electric Company
(hereinafter referred to as P.G. and E.) in northern California;
and

WHEREAS the participants in The Project are (1) Gas Company, (2) Alberta Gas Trunk Line Company Limited, an Alberta corporation proposing to transport gas for the Project in Alberta, (3) S & M Pipeline Limited, a Canadian corporation proposing to transport gas for The Project from Alberta across British Columbia to the International Boundary, (4) Pacific Transmission and (5) P.G. and E.; and

WHEREAS Pacific Transmission desires to purchase gas from Gas Company at the International Boundary and to transport the gas across Idaho, Washington and Oregon to California for sale and delivery to P.G. and E.

NOW THEREFORE the parties agree as follows:

1. DEFINITIONS

For the purpose of this Contract the following words and terms are defined as follows:

1.1 The word "day" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 8:00 o'clock a.m. Mountain Standard Time.

1.2 The word "month" shall mean a period beginning at 8:00 o'clock a.m. on the first day of a calendar month and ending at 8:00 o'clock a.m. on the first day of the next succeeding calendar month.

1.3 The term "contract year" shall mean a period of twelve (12) consecutive months beginning with the month of July, the first contract year to begin with the month of July next following the date gas is first delivered hereunder.

1.4 The word "gas" shall mean natural gas.

1.5 The term "cubic foot" of gas shall mean that quantity of gas which, at a temperature of sixty degrees (60°) Fahrenheit and at a pressure of 14.73 pounds per square inch absolute, occupies one (1) cubic foot.

1.6 The term "Mcf" shall mean one thousand (1,000) cubic feet of gas and shall be measured as set forth in paragraph 9 hereof.

1.7 The term "BTU" shall mean British Thermal Unit.

1.8 The term "gross heating value" shall mean the number of BTU's in a cubic foot of gas saturated with water vapor.

1.9 The term "psig" shall mean pounds per square inch gauge.

2. BASIC OBLIGATIONS AND CONDITIONS

2.1 Before The Project can be constructed and operated, all permits, certificates and other authorizations required under applicable laws and regulations must be obtained. Both parties agree that they will proceed with diligence to procure such authorizations as may be necessary for performing their obligations hereunder and for their participation in The Project,

including such authorizations as may be required for any subsequent expansion of The Project.

2.2 Pacific Transmission agrees that upon the obtaining of all such necessary authorizations by all participants in The Project, it will proceed with diligence to construct, maintain and operate, in accordance with best pipeline practice, a gas transmission system capable of receiving all gas to be delivered by Gas Company in accordance with paragraph 4.

2.3 Gas Company agrees to sell and deliver, and Pacific Transmission agrees to purchase and receive, daily volumes of gas in accordance with paragraph 4.

2.4 Pacific Transmission agrees to pay Gas Company in accordance with the monthly cost of service basis provided for in paragraph 12 for the gas sold and delivered hereunder.

3. TERM OF CONTRACT

This Contract shall be effective from the date hereof and shall continue for as long as The Project is able to operate in such manner as to accomplish its principal purpose.

4. QUANTITY OF GAS

4.1 The Daily Contract Quantity is 416 MMcf per day or such higher amount as may from time to time be agreed upon by the parties.

4.2 Gas Company shall deliver each day to Pacific Transmission the volumes of gas requested by Pacific Transmission, not to exceed the Daily Contract Quantity in any one day unless Gas Company consents to deliver the requested excess quantity. Pacific Transmission shall take during each contract year, if available hereunder, or pay for in accordance with paragraph 12.1(a), if available and not taken hereunder, a minimum average daily volume equal to ninety percent (90%) of the Daily Contract Quantity; provided, however, that Pacific Transmission shall take, if available hereunder, not less than a minimum average daily volume equal to eighty percent (80%) of the Daily Contract Quantity during each month and a minimum volume equal to seventy-five percent (75%) of the Daily Contract quantity on each and every day.

4.3 If Pacific Transmission fails to take an average daily quantity equal to ninety percent (90%) of the Daily Contract Quantity during any contract year, Pacific Transmission shall have the right, during the next two (2) succeeding contract years after it has taken an average daily quantity equal to ninety percent (90%) of the Daily Contract Quantity during each such year, to take a quantity of gas up to the quantity paid for but not taken, but not to exceed the Daily Contract Quantity in any one day unless Gas Company consents to deliver the requested excess quantity. Payments made pursuant to paragraph 4.2 for gas available but not taken shall be allowed as credits under paragraph 12.1(a) in the billing month when such gas is taken under this paragraph.

4.4 Gas Company and Pacific Transmission shall notify each other from time to time, as necessary, of expected changes in the rates of delivery or receipt of gas, or in the pressures or other operating conditions, and the reason for such expected changes, to the end that the other party may be prepared to meet them when they occur.

5. POINT OF DELIVERY

The point of delivery for gas to be sold hereunder shall be at the junction of the pipelines of S & M Pipeline Limited and Pacific Transmission located at the International Boundary between the Province of British Columbia and the State of Idaho.

6. DELIVERY PRESSURE

Gas Company agrees to deliver the gas to Pacific Transmission at such pressure as the latter may require from time to time up to the maximum of either seven hundred (700) pounds psig or the maximum pressure that can be made available at the principal point of delivery with the then existing facilities, whichever is higher.

7. QUALITY OF GAS

7.1 Quality Standards: The gas which Gas Company delivers hereunder to Pacific Transmission shall be merchantable gas, at

all times complying with the following quality requirements:

(a) Heating Value: The gas delivered hereunder shall have a gross heating value of not less than nine hundred and seventy-five (975) BTUs per cubic foot, but, with the consent of Pacific Transmission, gas at a lower gross heating value may be delivered.

(b) Freedom from Objectionable Matter: The gas delivered hereunder:

(1) Shall be commercially free from sand, dust, gums, crude oil, impurities and other objectionable substances which may be injurious to pipe lines or which may interfere with its transmission through pipe lines or its commercial utilization.

(2) Shall not have a hydrocarbon dew-point in excess of fifteen degrees (15°) Fahrenheit at pressures up to eight hundred (800) pounds per square inch gauge.

(3) Shall not contain more than one (1) grain of hydrogen sulphide per one hundred (100) cubic feet.

(4) Shall not contain more than ten (10) grains of total sulphur per one hundred (100) cubic feet.

(5) Shall not contain more than two percent (2%) by volume of carbon dioxide.

(6) Shall not contain more than four (4) pounds of water vapor per one million (1,000,000) cubic feet.

(7) Shall not exceed one hundred and ten degrees (110°) Fahrenheit in temperature at the point of delivery.

(8) Shall be as free of oxygen as it can be kept through the exercise of all reasonable precautions, and shall not in any event contain more than four-tenths per cent (0.4%) by volume oxygen.

7.2 Quality Tests

(a) At the point of delivery or at such other points as may be mutually agreed upon Pacific transmission shall take gas samples for determining the gross heating value of gas received for transportation hereunder. Such samples shall be tested by Pacific Transmission utilizing a Cutler-Hammer recording calorimeter, or the equivalent, operated and maintained in accordance with General Order No. 58B, "Standards of Calorimetry for Gaseous Fuels," approved December 28, 1955, by the Public Utilities Commission of the State of California, or any subsequent revision thereof acceptable to both parties. The gas samples to be tested shall be representative of the gas delivered hereunder at the time such samples are taken and may be either spot samples or samples taken over a period of time. Samples shall be taken at reasonable intervals by Pacific Transmission. The gross heating value determined

by any test shall apply to the gas received hereunder from the date the spot sample was taken or from the commencement date of a sample taken over a period of time, as the case may be, until the next test. The gross heating value per cubic foot of gas shall be determined for any month by taking the arithmetical average of the daily heating values as determined in accordance with this paragraph 7.2(a).

(b) At the point of delivery or at such other points as may be mutually agreed upon Gas Company shall cause tests to be made to determine the total sulphur, hydrogen sulphide, mercaptan sulphur, carbon dioxide and oxygen content of the gas, by approved standard methods in general use in the gas industry, and to determine the water vapor content of such gas by the use of a dew-point apparatus approved by both parties. Tests shall be made frequently enough to assure that the gas is conforming continuously to the quality requirements. Pacific Transmission shall have the right to require Gas Company to have remedied any deficiency of the gas in quality and, in the event such deficiency is not remedied, the right, in addition to all other remedies available to it by law, to refuse to accept such deficient gas until such deficiency is remedied.

8. MEASURING EQUIPMENT

8.1 Installation: At the point of delivery all gas volume measuring equipment, devices and materials shall be furnished, installed, maintained and operated by Pacific Transmission at its expense. Gas Company and S & M Pipeline Limited may install and operate check measuring equipment provided it does not interfere with the use of Pacific Transmission's equipment.

8.2 Testing Meter Equipment: The accuracy of each party's measuring equipment shall be verified by test, using means and methods acceptable to the other party, at least once each month or at such other interval as may be mutually agreed upon, and at other times upon request of the other party. Notice of the time and nature of each test shall be given by the party conducting the test to the other party sufficiently in advance to permit convenient arrangement for the presence of the representative of the other party. If, after notice, the other party fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. If any of the measuring equipment is found to be registering inaccurately in any percentage, it shall be adjusted at once to read as accurately as possible. All tests of such measuring equipment shall be made at the expense of the party conducting the same, except that the other party shall bear the expense of tests made

at its request if the inaccuracy is found to be two percent (2%) or less.

8.3 Correction and Adjustment: If at any time any of the measuring equipment is registering inaccurately by an amount exceeding two percent (2%) at a reading corresponding to the average hourly rate of flow, the previous readings of such equipment shall be corrected to zero error for any period definitely known or agreed upon, or if not so known or agreed upon, for a period of sixteen (16) days or one-half (1/2) of the elapsed time since the last test, whichever is shorter. If the measuring equipment is out of service, the volume of gas delivered during such period shall be determined:

(a) By using the data recorded by any check measuring equipment accurately registering; or

(b) If such check measuring equipment is not registering accurately but the percentage of error is ascertainable by a calibration test, by using the data recorded, corrected to zero error; or

(c) If neither of the methods provided in (a) and (b) above can be used, by estimating the quantity delivered, by reference to deliveries under similar conditions during a period when the equipment was registering accurately.

No correction shall be made in the recorded volumes of gas delivered hereunder for inaccuracies in measuring equipment of two percent (2%) or less.

9. MEASUREMENTS

9.1 Metering: The gas shall be metered by one or more orifice meters installed and maintained, and volumes shall be measured (except for correction for deviation from Boyle's Law), in accordance with the methods prescribed in "Orifice Metering of Natural Gas," Gas Measurement Committee Report No. 3, of the American Gas Association, including the Appendix thereto, as published April 1955, or any subsequent revision thereof acceptable to both parties.

9.2 Deviation from Boyle's Law: Correction shall be made for deviation of the gas from Boyle's Law at the pressure and temperature at which the gas is metered. To determine the factors for such correction a quantitative analysis of the gas shall be made at reasonable intervals with such apparatus as shall be agreed upon by both parties, and such factors shall be obtained from data contained in "Supercompressibility Factors for Natural Gas," Volumes 1 through 6, inclusive, or in "Tables for the Determination of Supercompressibility Factors for Natural Gas Containing Nitrogen and/or Carbon Dioxide," Volume 7, as published by the American Gas Association in 1955, or any subsequent revision thereof acceptable to both parties.

9.3 Specific Gravity: Tests to determine the specific gravity of the gas being metered shall be made in accordance with the American Petroleum Institute's Recommended Practice 50A dated June 1957, or any subsequent revision thereof acceptable to both parties. The gas samples to be tested shall be representative of the gas delivered hereunder at the point of receipt or delivery at the time such samples are taken and may be either spot samples or samples taken over a period of time. Samples shall be taken at reasonable intervals by the party conducting the tests, provided that additional samples shall be taken when requested by the other party. The specific gravity determined by any test shall apply to the gas delivered hereunder from the date the spot sample was taken or from the commencement date of a sample taken over a period of time, as the case may be, until the next test.

9.4 Flowing Temperature: The flowing temperature of the gas being metered shall be determined by means of a recording thermometer of a type acceptable to both parties, installed and maintained in accordance with the specifications set forth in said Gas Measurement Committee Report No. 3. The arithmetical average of readings each day shall be deemed the gas temperature and used in computing the volumes of gas metered during such day.

10. INSPECTION OF EQUIPMENT AND RECORDS

10.1 Transmittal of Records to Gas Company: Pacific Transmission shall send to Gas Company copies of all measuring and testing charts, data and information collected at each point of receipt as soon as practicable after daily collection thereof so that Gas Company can keep current information on the volumes, BTU content and quality of the gas delivered hereunder.

10.2 Inspection of Equipment and Data: Each party shall have the right to inspect equipment installed or furnished by the other, and the charts and other measurement or test data of the other, at all times during business hours; but the reading, calibration and adjustment of such equipment and changing of charts shall be done only by the party installing or furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data, charts and other similar records in such party's possession, for a period of at least six (6) years.

10.3 Information for Billing: When information necessary for billing by Gas Company is in the control of Pacific Transmission, Pacific Transmission shall furnish such information for the billing month to Gas Company on or before the third (3rd) working day of the month following the billing month.

10.4 Verification of Computations: Both Gas Company and Pacific Transmission shall have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to this Contract.

11. BILLING AND PAYMENT

11.1 Billing: On or before the fifth (5th) working day of each month, Gas Company shall render to Pacific Transmission both (a) a preliminary bill for service rendered during the previous month (herein called the billing month) and (b) an adjusted bill for the actual cost of service rendered during the month preceding the billing month. The preliminary bill shall be composed of (a) the amount computed for the cost of gas under paragraph 12.1(a) for the billing month and (b) the amount of all other costs under paragraph 12.1(b) included in the adjusted bill for the month preceding the billing month.

11.2 Payment: On or before the twenty-second (22nd) day of each month Pacific Transmission shall pay Gas Company in lawful money of Canada at Gas Company's office, Calgary, Alberta, the amount of the preliminary bill rendered by Gas Company for the

billing month in accordance with this paragraph 11, adjusted by Pacific Transmission to account for the difference between the preliminary and adjusted bills for the month preceding the billing month.

11.3 Interest on Unpaid Amounts: Should Pacific Transmission fail to pay the amount of any bill rendered by Gas Company as herein provided when such amount is due, interest thereon shall accrue at the rate of six percent (6%) per annum from the due date until the date of payment.

11.4 Remedies for Failure to Pay: If such failure to pay continues for sixty (60) days after payment is due, Gas Company, in addition to any other remedy it may have, may suspend further delivery of gas until such amount is paid unless Pacific Transmission in good faith disputes the amount owing and pays such amount as it concedes to be correct. Either party may submit to arbitration in accordance with paragraph 17 any dispute as to the amount due Gas Company hereunder.

11.5 Late Billing: If presentation of a bill by Gas Company is delayed after the due date provided in paragraph 11.1, then the time for payment shall be extended correspondingly unless Pacific Transmission is responsible for such delay.

11.6 Correction of Billing Errors: In the event an error is discovered in the amount billed in any statement rendered by

Gas Company, the amount of such error shall be adjusted, provided that claim therefor shall have been made within twelve (12) months from the date of such statement. The adjustment shall be made within thirty (30) days of such timely claim.

12. COST OF SERVICE

For gas purchased from Gas Company during the billing month, Pacific Transmission shall pay to Gas Company a cost of service charge calculated in accordance with this paragraph.

12.1 Calculation: Such cost of service shall equal the sum of (a) and (b) below.

(a) Cost of gas: The cost to Gas Company of gas delivered hereunder during the billing month. This cost shall be computed by multiplying the total Mcf of such gas times the weighted average purchase price per Mcf paid by Gas Company for all gas purchased by Gas Company for delivery to it or for its account during the billing month. The cost of gas paid for but not taken, pursuant to paragraph 4.2, shall be included under this paragraph 12.1(a) in the last billing month of each contract year and shall be based on Gas Company's annual, rather than monthly weighted average purchase price. Credit shall be allowed when required under paragraph 4.3.

(b) All other costs: Gas Company's total cost of service for gas transmitting and selling in the Province of British Columbia during the billing month, and a proportion of Gas Company's total cost of service for gas purchasing, gathering, processing,

transmitting and selling in the Province of Alberta during the billing month. This proportion shall be the fraction whose numerator is Pacific Transmission's Daily Contract Quantity (paragraph 4.1) and whose denominator is the sum of the Daily Contract Quantities of Pacific Transmission and Canadian-Montana Pipe Line Company. Gas Company's total cost of service for costs in addition to cost of gas for the billing month shall equal the sum of the following amounts:

(1) Operating Expenses: Reasonable and necessary operating expenses for the billing month properly charged to Accounts 733 to 809 inclusive, except Account 745, of the Uniform System of Accounts Prescribed for Natural Gas Companies by the Federal Power Commission, as amended January 1, 1954.

(2) Depreciation: One-twelfth ($1/12$) of the annual depreciation expense computed by the application of annual straight line depreciation rates to the actual legitimate investment in depreciable gas plant. In order to distribute equitably the cost of the facilities over the lifetime of The Project, the applicable annual depreciation rate shall be $\frac{1}{P-(n-1)}$ times the difference between the total investment and the balance in the depreciation reserve, both taken at the beginning of the nth year. (The symbol P represents a number equal to the number of years in the duration of (a) the Export Permit granted by the Oil and Gas Conservation Board of Alberta, or (b) the Export License granted

by the Minister of Trade and Commerce for Canada, or (c) the weighted average of the estimated physical life of the components of the depreciable gas plant, whichever is shortest. The symbol n is the number of the particular year in question and is either equal to or less than P .)

For example:

First year depreciation: $\frac{1}{P}$ of the total investment.

Second year depreciation: $\frac{1}{P-1}$ of the difference between the total investment and the balance in the depreciation reserve, both taken at the beginning of the second year.

At such time as the aforesaid export permits are renewed, extended or supplemented or modified so as to prolong the export period, the unrecovered cost of the plant shall be determined and depreciation rates redetermined by the same method.

A depreciation reserve account shall be set up and maintained under conventional accounting practice in accordance with the foregoing.

(3) Amortization: Accruals recorded for the billing month for amortization of (i) amounts which would be classified as amortizable under Accounts 504, 505 and 506 of the aforesaid system of accounts and (ii) all pre-operation costs of Gas Company incurred for Project purposes (for example, cost of obtaining governmental authorizations, cost of negotiating contracts, interest on funds borrowed, tax, and administrative and general expenses) to the extent, if any, that such costs are not amortizable under one of the above accounts.

(4) Taxes: Accruals recorded for the billing month with respect to income and other taxes associated with natural gas operations, adjustments of accruals for tax expenses

included in previous bills and any taxes paid but not included in previous bills.

(5) Return: Return at an annual rate of seven and one-half percent ($7\frac{1}{2}\%$) computed for each billing month by the application of the monthly rate of 0.625% to the net investment base determined as follows:

As of the date of initial operation and as of each January 1 and July 1 thereafter, a net investment base shall be calculated from the sum of the items listed below, provided, however, that whenever a substantial addition or retirement of property occurs, Gas Company shall recompute the rate base in accordance with this paragraph, effective the first day of the month following the date of commercial operation of such addition or the effective date of such retirement of property:

(i) The actual legitimate original investment in gas plant in service, gas plant held for future use, and facilities in process of construction but actually being used in gas operations, less the balance in depreciation and amortization reserves and contributions in aid of construction.

(ii) Working capital allowance represented by the sum of (a) the average of the monthly balances of prepayments, necessary materials and supplies for operating purposes, and (b) cash working capital equivalent to one-eighth ($1/8$) of cash operating expenses (exclusive of gas purchased) for the preceding twelve (12) month period less fifty percent (50%) of the annual

amount included in the cost of service for income taxes for the preceding twelve (12) months before the date of computation of the rate base hereunder, and (c) the unamortized balance of amounts being amortized under subparagraph 12.1(b)(3), if any, which are not included under division (i) of this subparagraph (5); provided that during the first twelve (12) months of service by Gas Company the cash working capital shall be estimated as \$_____.

(6) Credits: Credit amounts for revenues received by Gas Company from other gas purchasers, not including Canadian - Montana Pipe Line Company, as payment for service costs of the type described in paragraph 12.1(b), but not including payments of the type described in paragraph 12.1(a).

12.2 Adjustment for Accrued and Deferred Items: Income and expense accounts for each month shall reflect accrued and deferred items. Accruals shall be adjusted to reflect the difference between accruals and actual amounts when conclusive determinations and settlements are made.

12.3 Cost of Gas Produced by Gas Company: If and when gas for The Project is delivered to or for the account of Gas Company from production of its own the parties hereto will negotiate a supplement to this contract to provide the method of determining and apportioning Gas Company's cost of service to be included herein for such production.

12.4 Renegotiation of Proportion Under 12.1(b). If either Canadian - Montana Pipe Line Company or Pacific Transmission shall take, during any month, a total quantity of gas in excess of 105% of its contract quantity for that month (computed by multiplying the daily contract quantity by the number of days in the month in question) then

either party shall, upon request, be entitled to a renegotiation to determine the equitable proportion of costs described in paragraph 12.1(b) to be paid by Pacific Transmission under such conditions. In the event that the parties are unable to agree and either is dissatisfied with the manner in which negotiations are proceeding, such party shall have the right to refer the matter to arbitration in accordance with paragraph 17.

13. FORCE MAJEURE

13.1 If either party to this Contract shall fail to perform any obligation hereby imposed upon it and such failure shall be caused, or materially contributed to, by any acts of God, strikes, lockouts, or other industrial disturbances, acts of the Queen's enemies, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, arrests, restraints of rulers and peoples, civil disturbances, explosions, breakage of or accident to machinery or lines of pipe, hydrate obstructions of lines of pipe, inability to obtain pipe, materials or equipment including those necessary for The Project, any legislative, administrative or judicial action which has been resisted in good faith by all reasonable legal means, the exercise by the Alberta Utilities of their gas priority right, or any act or omission whether of the kind herein enumerated or otherwise not within the control of the party invoking this paragraph and which by the exercise of due diligence such party could not have prevented, or shall be occasioned by the necessity for making repairs to or reconditioning machinery, equipment, or pipelines, not resulting from the fault or negligence of such party, such failure shall be deemed not to be a breach of the obligation of such party

hereunder, but such party shall use reasonable diligence to put itself in a position to carry out its obligations hereunder. Nothing contained herein shall be construed to require either party to settle a strike or lockout by acceding against its judgment to the demands of the opposing parties.

13.2 No such cause affecting the performance of this Contract by either party shall continue to relieve such party from its obligation after the expiration of a reasonable period of time within which by the use of due diligence such party could have remedied the situation preventing its performance, nor shall any such cause relieve either party from its obligation to make payment of amounts due and owing hereunder before the occurrence of such cause, nor shall any such cause relieve either party from any obligation hereunder unless such party shall give notice thereof in writing to the other party with reasonable promptness; and like notice shall be given upon termination of such cause. Whenever any such cause affects the ability of Gas Company to deliver gas to both Montana and Pacific Gas Transmission any resulting curtailment shall, to the extent practicable, be divided between said recipients in proportion to their Daily Contract quantities.

13.3 Whenever any such cause results in an impairment of the transmission capacity of facilities owned by Gas Company to the extent that there is a reduction in the daily volumes of gas that otherwise would have been delivered to Pacific Transmission,

then the monthly cost of service charge payable by Pacific Transmission under paragraph 12.1(b) (exclusive of payment to others for transmission and/or compression of Gas Company's gas) shall be diminished by an amount equal to the total monthly charge which otherwise would have been payable under paragraph 12.1(b) (exclusive of certain payments to others as aforesaid) multiplied by the fraction whose numerator is that quantity of gas incapable of delivery during the billing month because of such cause and whose denominator is the total quantity of gas, determined at the end of the billing month, which otherwise would have been delivered during that month if no such cause had interfered.

13.4 If any of The Project's then existing governmental authorizations to purchase, transport, export or import gas is modified, whether by legislative, administrative or judicial action, in any way that results in diminishing the quantity of gas, determined at the end of the billing month, which otherwise would have been delivered to Pacific Transmission hereunder during that month, then the monthly cost of service charge payable by Pacific Transmission under paragraph 12.1(b) (exclusive of payment to others for transmission and/or compression of Gas Company's gas) shall be diminished by an amount equal to the total such monthly charge which otherwise would have been payable under paragraph 12.1(b) (exclusive of certain payments to others as aforesaid) multiplied by the fraction whose numerator is that quantity of gas incapable

of delivery during the billing month because of such modification and whose denominator is the total quantity of gas which otherwise would have been delivered during the month if no such modification had occurred, provided, however, that such modification was resisted by Pacific Transmission in good faith by all reasonable legal means.

14. WARRANTY AND PASSAGE OF TITLE

Gas Company warrants the title of all gas delivered hereunder and the right to deliver the same and that such gas will be free from all liens and adverse claims. Title to gas sold hereunder shall pass to Pacific Transmission at the point of delivery at the International Boundary.

15. POSSESSION OF GAS AND RESPONSIBILITY

As between Gas Company and Pacific Transmission, Pacific Transmission shall be deemed to be in control and possession of, and responsible for, all gas delivered hereunder from the time that such gas is received by it at the point of delivery.

16. LIABILITY OF PARTIES.

Gas Company and Pacific Transmission each assume full responsibility and liability for the maintenance and operation of its respective properties and shall indemnify and save harmless the other party from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons, arising from any act or accident in connection with the installation, presence, maintenance and operation of the property (other than gas) and equipment of the indemnifying party, or in connection with the presence of gas in the control and possession of the indemnifying party.

17. ARBITRATION

Any arbitration provided for in this Contract or agreed to by the parties shall be conducted in accordance with the following procedures and principles:

Upon the written demand of either party and within ten (10) days from the date of such demand, each party shall appoint an

arbitrator and the two arbitrators so appointed shall promptly thereafter appoint a third. If either party shall fail to appoint an arbitrator within ten (10) days from the date of such demand, then the arbitrator shall be appointed by a judge of the Supreme Court of Alberta. If the two arbitrators shall fail within ten (10) days from their appointment to agree upon and appoint the third arbitrator, then upon the application of either party, such third arbitrator shall be appointed by a judge of the Supreme Court of Alberta.

The arbitrators shall proceed immediately to hear and determine the matter in controversy. The award of the arbitrators, or a majority of them, shall be made within forty-five (45) days after the appointment of the third arbitrator, subject to any reasonable delay due to unforeseen circumstances.

The award of the arbitrators shall be drawn up in writing and signed by the arbitrators, or a majority of them, and shall be final and binding on the parties, and the parties shall abide by the award and perform the terms and conditions thereof. Unless otherwise determined by the arbitrators the fees and expenses of the arbitrator named for each party shall be paid by that party and the fees and expenses of the third arbitrator shall be paid in equal proportion by both parties.

18. MISCELLANEOUS PROVISIONS

18.1 Waiver of Default: No waiver by either party of any default by the other under this Contract shall operate as a waiver of any continuing or future default, whether of a like or different character.

18.2 Assignability: This Contract shall bind and inure to the respective successors and assigns of the parties hereto, but no assignment shall release either party from such party's obligations hereunder without the written consent of the other party, which consent shall not be unreasonably withheld. Nothing contained herein shall prevent either party from pledging or mortgaging its rights hereunder as security for its indebtedness.

18.3 Address of Parties: Every request, notice, statement and bill provided for in this Contract shall be in writing and each of them and every payment provided for herein shall be directed to the party to whom given, made or delivered at such party's address as follows:

Alberta and Southern Gas Co. Ltd.
140 Sixth Avenue, S.W.
Calgary, Alberta

Pacific Gas Transmission Company
245 Market Street
San Francisco, California

Either party may change its address by giving written notice to the other party. Any notice hereunder shall be deemed to have

been given forty-eight (48) hours after such notice has been deposited in a Post Office with requisite postage thereon.

18.4 Contract Subject to Laws: This Contract and the rights and obligations of the parties hereunder are subject to all present and future laws, rules, regulations and orders of any legislative body or duly constituted authority now or hereafter having jurisdiction.

18.5 Law for Interpretation: This Contract shall be construed in accordance with the laws of the Province of Alberta.

18.6 Effect of Headings: The headings used throughout this Contract are inserted for reference purposes only and are not to be considered or taken into account in construing the terms and provisions of any paragraph nor to be deemed in any way to qualify, modify or explain the effects of any such provision or terms.

IN WITNESS WHEREOF this Contract has been properly executed by the parties hereto with the corporate seal of each having been properly affixed and attested as of the day and year first above written.

ALBERTA AND SOUTHERN GAS CO. LTD.

By J. K. HORTON
President
By R. L. WINTON
Secretary

PACIFIC GAS TRANSMISSION COMPANY

By N. R. SUTHERLAND
President
By E. E. MANHARD
Secretary

Hearing No.

Exhibit No.

Date

Witness

**PROPOSED FORM OF GAS TARIFF
AND
SERVICE AGREEMENT
TO BE FILED WITH THE
FEDERAL POWER COMMISSION
TO COVER SALES BY
PACIFIC GAS TRANSMISSION COMPANY
TO
PACIFIC GAS AND ELECTRIC COMPANY**

ALBERTA AND SOUTHERN GAS CO. LTD.

PACIFIC GAS TRANSMISSION COMPANY
245 Market Street
San Francisco 6, California

SUTter 1-4211

October 15, 1957

Pacific Gas and Electric Company
245 Market Street
San Francisco 6, California

Gentlemen:

Attached hereto is a proposed form of gas tariff consisting of a Rate Schedule, General Terms and Conditions and Service Agreement.

This proposed filing is intended to express the terms and conditions upon which we have agreed for the sale of gas to you at the California-Oregon boundary. Upon acceptance of the proposed filing by the Federal Power Commission after it has granted necessary authorizations for this Company's portion of the Alberta to California project, we agree to execute a service contract with you in the form proposed.

If you agree that the proposed filing correctly expresses the terms and conditions for said sale of gas will you please so indicate on one of the two signed copies of this letter and return it to us.

PACIFIC GAS TRANSMISSION COMPANY

By N. R. SUTHERLAND
President

By E. E. MANHARD
Secretary

We agree that the attached proposed filing correctly expresses the terms and conditions upon which we have agreed for the sale of gas as therein described and undertake to execute a service agreement in the form provided when said filing shall have been accepted by the Federal Power Commission.

PACIFIC GAS AND ELECTRIC COMPANY

By ROBERT H. GERDES
Executive Vice President

By JOHN F. TAYLOR
Assistant Secretary

PROPOSED FORM OF GAS TARIFF

and

SERVICE AGREEMENT

To Be Filed With The

FEDERAL POWER COMMISSION

To Cover Sales By

PACIFIC GAS TRANSMISSION COMPANY

To

PACIFIC GAS AND ELECTRIC COMPANY

TABLE OF CONTENTS

Preliminary Statement.....	1
Rate Schedule for Pipe Line Sale to Pacific Gas and Electric Company.....	2
General Terms and Conditions.....	7
Form of Service Agreement.....	24

PRELIMINARY STATEMENT

Pacific Gas Transmission Company is a participant in a natural gas pipeline project (hereinafter referred to as The Project) whose principal purpose is the transportation of natural gas from Canada to the existing integrated transmission and distribution system of Pacific Gas and Electric Company in California. The Project will be placed in operation as soon as its participants have obtained all necessary governmental authorizations and have completed construction of the transmission system.

The natural gas for The Project is purchased in Alberta, Canada, by Alberta and Southern Gas Co. Ltd. which proposes to sell and deliver the gas at the British Columbia - Idaho boundary to Pacific Gas Transmission Company (hereinafter referred to as Seller). Seller proposes to transport the gas to the Oregon - California boundary through a natural gas transmission system it proposes to construct, own, maintain and operate. At the Oregon-California boundary Seller proposes to sell and deliver the gas on a cost of service basis to Pacific Gas and Electric Company, at present its only customer.

This Tariff is based on the existing fact that Seller has only one customer at the present time. In the event that Seller undertakes to serve additional customers, Seller would propose to file the necessary additions to and modifications of this tariff.

RATE SCHEDULE
PIPE LINE SALE

1. Availability: This rate schedule is available to Pacific Gas and Electric Company (hereinafter called "Buyer") for purchase of natural gas from Pacific Gas Transmission Company (hereinafter called "Seller").
2. Applicability and Character of Service: This rate schedule shall apply to all sales of natural gas by Seller to Buyer. Seller shall deliver to Buyer such daily volumes of gas as Buyer may desire up to Buyer's maximum daily contract quantity as specified in the executed service agreement. Deliveries of gas shall be firm and not subject to curtailment or interruption except as provided in the General Terms and Conditions.

Deliveries by Seller shall be made so as to meet the routine hour to hour dispatching requirements of Buyer's system, and when requested by Buyer the rate of delivery in any hour shall be varied to meet Buyer's requirements to the extent feasible within operational limits.
3. Cost of Service: For gas purchased from Seller during the billing month, Buyer shall pay to Seller a cost of service charge calculated in accordance with this paragraph.
 - 3.1 Calculation: Such cost of service shall equal the sum of the following amounts:
 - (1) Operating Expenses: Reasonable and necessary operating expenses for the billing month properly charged to

Accounts 733 to 809 inclusive, of the Uniform System of Accounts Prescribed for Natural Gas Companies by the Federal Power Commission, as amended January 1, 1954.

(2) Depreciation: One-twelfth ($1/12$) of the annual depreciation expense computed by the application of annual straight line depreciation rates to the actual legitimate investment in depreciable gas plant. In order to distribute equitably the cost of the facilities over the lifetime of The Project, the applicable annual depreciation rate shall be $1/(P-(n-1))$ times the difference between the total investment and the balance in the depreciation reserve, both taken at the beginning of the nth year. (The symbol P represents a number equal to the number of years in the duration of (a) the Export Permit granted Alberta and Southern Gas Co. Ltd. by the Oil and Gas Conservation Board of Alberta, or (b) the Export License granted said company by the Minister of Trade and Commerce for Canada, or (c) the weighted average of the estimated physical life of the components of the depreciable gas plant, whichever is shortest. The symbol n is the number of the particular year in question and is either equal to or less than P.)

For example:

First year depreciation: $1/P$ of the total investment.

Second year depreciation: $1/(P-1)$ of the difference between the total investment and the balance in the depreciation reserve, both taken at the beginning of the second year.

At such time as the aforesaid export permits are renewed, extended or supplemented or modified so as to prolong the export period, the unrecovered cost of the plant shall be determined and depreciation rates redetermined by the same method.

A depreciation reserve account shall be set up and maintained under conventional accounting practice in accordance with the foregoing.

(3) Amortization: Accruals recorded for the billing month for amortization of (i) amounts amortizable under Accounts 504, 505 and 506 of the aforesaid system of accounts and (ii) all costs of Seller incurred in initiating Seller's pipeline project prior to commencement of operation (for example, cost of obtaining governmental authorizations, cost of negotiating contracts, interest on funds borrowed, taxes and administrative and general expenses) to the extent, if any, that such costs are not amortizable under one of the above accounts.

(4) Taxes: Accruals recorded for the billing month with respect to income and other taxes associated with natural gas operations, adjustments of accruals for tax expenses included in previous bills and any taxes paid but not included in previous bills.

(5) Return: Return at an annual rate of six and three-fourths percent (6-3/4) computed for each billing month

by the application of one-twelfth ($1/12$) of such annual rate to the net investment base determined as follows:

As of the date of initial operation and as of each January 1 and July 1 thereafter, a net investment base shall be calculated from the sum of the items listed below, provided, however, that whenever a substantial addition or retirement of property occurs, Seller shall recompute the rate base in accordance with this paragraph, effective the first day of the month following the date of commercial operation of such addition or the effective date of such retirement of property:

(i) The actual legitimate original investment in gas plant in service, gas plant held for future use, and facilities in process of construction but actually being used in gas operations, less the balance in depreciation and amortization reserves and contributions in aid of construction.

(ii) Working capital allowance represented by the sum of (a) the average of the monthly balances of prepayments, necessary materials and supplies for operating purposes, (b) cash working capital equivalent to one-eighth ($1/8$) of cash operating expenses (exclusive of gas purchased) for the preceding twelve (12) month period less fifty percent (50%) of the annual amount included in the cost of service for income taxes for the preceding twelve (12) months before the date of computation of the rate base hereunder, and (c) the unamortized balance of amounts being amortized under

subparagraph (3) above, if any, which are not included under division (1) of this subparagraph (5); provided that during the first twelve (12) months of service by Seller the cash working capital shall be estimated as \$800,000.

(6) Credits: Credit amounts for revenues received by Seller from gas sales to other purchasers.

3.2 Adjustment for Accrued and Deferred Items: Income and expense accounts for each month shall reflect accrued and deferred items. Accruals shall be adjusted to reflect the difference between accruals and actual amounts when conclusive determinations and settlements are made.

4. Minimum Bill: None

5. Heat Content: Refer to paragraph 2.1(a) of the General Terms and Conditions.

6. Measurement Base: Refer to paragraph 1.5 of the General Terms and Conditions.

7. General Terms and Conditions: All of the General Terms and Conditions are applicable to this rate schedule.

GENERAL TERMS AND CONDITIONS

TABLE OF CONTENTS

Paragraph

1.	DEFINITIONS	9
2.	QUALITY OF GAS	9
	2.1 Quality Standards	9
	(a) Heating Value	10
	(b) Freedom from Objectionable Matter .	10
	2.2 Quality Tests	11
3.	MEASURING EQUIPMENT	12
	3.1 Installation	12
	3.2 Testing Meter Equipment	12
	3.3 Correction and Adjustment	13
4.	MEASUREMENTS	14
	4.1 Metering	14
	4.2 Deviation from Boyle's Law	14
	4.3 Specific Gravity	14
	4.4 Flowing Temperature	15
5.	INSPECTION OF EQUIPMENT AND RECORDS	15
	5.1 Transmittal of Records to Seller	15
	5.2 Inspection of Equipment and Data	15
	5.3 Information for Billing	16
	5.4 Verification of Computations	16
6.	BILLING AND PAYMENT	16
	6.1 Billing	16
	6.2 Payment	17

Paragraph

6.3	Interest on Unpaid Amounts	17
6.4	Remedies for Failure to Pay	17
6.5	Late Billing	17
6.6	Correction of Billing Errors	17
7.	FORCE MAJEURE	18
8.	WARRANTY AND PASSAGE OF TITLE	20
9.	POSSESSION OF GAS AND RESPONSIBILITY	21
10.	LIABILITY OF PARTIES	21
11.	ARBITRATION	21
12.	MISCELLANEOUS PROVISIONS	22
12.1	Waiver of Default	23
12.2	Assignability	24
12.3	Effect of Headings	25
13.	SERVICE AGREEMENT	25
13.1	Form	25
13.2	Term	25

1. DEFINITIONS

1.1 The word "day" shall mean a period of twenty-four (24) consecutive hours, beginning and ending at 8:00 o'clock a.m. Mountain Standard Time.

1.2 The word "month" shall mean a period beginning at 8:00 o'clock a.m. on the first day of a calendar month and ending at 8:00 o'clock a.m. on the first day of the next succeeding calendar month.

1.3 The term "contract year" shall mean a period of twelve (12) consecutive months beginning with the month of July, the first contract year under an executed Service Agreement to begin with the month of July next following the date gas is first delivered thereunder.

1.4 The word "gas" shall mean natural gas.

1.5 The term "cubic foot" of gas shall mean that quantity of gas which, at a temperature of sixty degrees (60°) Fahrenheit and at a pressure of 14.73 pounds per square inch absolute, occupies one (1) cubic foot.

1.6 The term "Mcf" shall mean one thousand (1,000) cubic feet of gas and shall be measured as set forth in paragraph 4 hereof.

1.7 The term "BTU" shall mean British Thermal Unit.

1.8 The term "gross heating value" shall mean the number of BTU's in a cubic foot of gas saturated with water vapor.

1.9 The term "psig" shall mean pounds per square inch gauge.

2. QUALITY OF GAS

2.1 Quality Standards: The gas which Seller delivers hereunder

to Buyer shall be merchantable gas, at all times complying with the following quality requirements:

(a) Heating Value: The gas delivered hereunder shall have a gross heating value of not less than nine hundred and seventy-five (975) BTUs per cubic foot, but, with the consent of Buyer, gas at a lower gross heating value may be delivered.

(b) Freedom from Objectionable Matter: The gas delivered hereunder:

(1) Shall be commercially free from sand, dust, gums, crude oil, impurities and other objectionable substances which may be injurious to pipe lines or which may interfere with its transmission through pipe lines or its commercial utilization.

(2) Shall not have a hydrocarbon dew-point in excess of fifteen degrees (15°) Fahrenheit at pressures up to eight hundred (800) pounds per square inch gauge.

(3) Shall not contain more than one (1) grain of hydrogen sulphide per one hundred (100) cubic feet.

(4) Shall not contain more than ten (10) grains of total sulphur per one hundred (100) cubic feet.

(5) Shall not contain more than two percent (2%) by volume of carbon dioxide.

(6) Shall not contain more than four (4) pounds of water vapor per one million (1,000,000) cubic feet.

(7) Shall not exceed one hundred and ten degrees (110°) Fahrenheit in temperature at the point of delivery.

(8) Shall be as free of oxygen as it can be kept through the exercise of all reasonable precautions, and shall not

in any event contain more than four-tenths percent (0.4%) by volume oxygen.

2.2 Quality Tests

(a) At the point of delivery or at such other points as may be mutually agreed upon Buyer shall take gas samples for determining the gross heating value of gas received for transportation hereunder. Such samples shall be tested by Buyer utilizing a Cutler-Hammer recording calorimeter, or the equivalent, operated and maintained in accordance with General Order No. 58B, "Standards of Calorimetry for Gaseous Fuels," approved December 28, 1955, by the Public Utilities Commission of the State of California, or any subsequent revision thereof acceptable to both parties. The gas samples to be tested shall be representative of the gas delivered hereunder at the time such samples are taken and may be either spot samples or samples taken over a period of time. Samples shall be taken at reasonable intervals by Buyer. The gross heating value determined by any test shall apply to the gas received from the date the spot sample was taken or from the commencement date of a sample taken over a period of time, as the case may be, until the next test. The gross heating value per cubic foot of gas shall be determined for any month by taking the arithmetical average of the daily heating values as determined in accordance with this paragraph 2.2(a).

(b) At the point of delivery or at such other points as may be mutually agreed upon Seller shall make tests to determine the total sulphur, hydrogen sulphide, mercaptan sulphur, carbon dioxide and oxygen content of the gas, by approved standard

methods in general use in the gas industry, and to determine the water vapor content of such gas by the use of a dew-point apparatus approved by both parties. Tests shall be made frequently enough to assure that the gas is conforming continuously to the quality requirements. Buyer shall have the right to require Seller to have remedied any deficiency of the gas in quality and, in the event such deficiency is not remedied, the right, in addition to all other remedies available to it by law, to refuse to accept such deficient gas until such deficiency is remedied.

3. MEASURING EQUIPMENT

3.1 Installation: At the point of delivery all gas volume measuring equipment, devices and materials shall be furnished, installed, maintained and operated by Buyer at its expense. Seller may install and operate check measuring equipment provided it does not interfere with the use of Buyer's equipment.

3.2 Testing Meter Equipment: The accuracy of each party's measuring equipment shall be verified by test, using means and methods acceptable to the other party, at least once each month or at such other interval as may be mutually agreed upon, and at other times upon request of the other party. Notice of the time and nature of each test shall be given by the party conducting the test to the other party sufficiently in advance to permit convenient arrangement for the presence of the representative of the other party. If, after notice, the other party fails to have a representative present, the results of the test shall nevertheless be considered accurate until the next test. If any of the

measuring equipment is found to be registering inaccurately in any percentage, it shall be adjusted at once to read as accurately as possible. All tests of such measuring equipment shall be made at the expense of the party conducting the same, except that the other party shall bear the expense of tests made at its request if the inaccuracy is found to be two percent (2%) or less.

3.3 Correction and Adjustment: If at any time any of the measuring equipment is registering inaccurately by an amount exceeding two percent (2%) at a reading corresponding to the average hourly rate of flow, the previous readings of such equipment shall be corrected to zero error for any period definitely known or agreed upon, or if not so known or agreed upon, for a period of sixteen (16) days or one-half (1/2) of the elapsed time since the last test, whichever is shorter. If the measuring equipment is out of service, the volume of gas delivered during such period shall be determined:

(a) By using the data recorded by any check measuring equipment accurately registering; or

(b) If such check measuring equipment is not registering accurately but the percentage of error is ascertainable by a calibration test, by using the data recorded, corrected to zero error; or

(c) If neither of the methods provided in (a) and (b) above can be used, by estimating the quantity delivered, by reference to deliveries under similar conditions during a period when the equipment was registering accurately.

No correction shall be made in the recorded volumes of gas

delivered hereunder for inaccuracies in measuring equipment of two percent (2%) or less.

4. MEASUREMENTS

4.1 Metering: The gas shall be metered by one or more orifice meters installed and maintained, and volumes shall be measured (except for correction for deviation from Boyle's Law), in accordance with the methods prescribed in "Orifice Metering of Natural Gas," Gas Measurement Committee Report No. 3, of the American Gas Association, including the Appendix thereto, as published April 1955, or any subsequent revision thereof acceptable to both parties.

4.2 Deviation from Boyle's Law: Correction shall be made for deviation of the gas from Boyle's Law at the pressure and temperature at which the gas is metered. To determine the factors for such correction a quantitative analysis of the gas shall be made at reasonable intervals with such apparatus as shall be agreed upon by both parties, and such factors shall be obtained from data contained in "Supercompressibility Factors for Natural Gas," Volumes 1 through 6, inclusive, or in "Tables for the Determination of Supercompressibility Factors for Natural Gas Containing Nitrogen and/or Carbon Dioxide," Volume 7, as published by the American Gas Association in 1955, or any subsequent revision thereof acceptable to both parties.

4.3 Specific Gravity: Tests to determine the specific gravity of the gas being metered shall be made in accordance with the American Petroleum Institute's Recommended Practice 50A dated June 1957, or any subsequent revision thereof acceptable to both parties.

The gas samples to be tested shall be representative of the gas delivered hereunder at the point of receipt or delivery at the time such samples are taken and may be either spot samples or samples taken over a period of time. Samples shall be taken at reasonable intervals by the party conducting the tests, provided that additional samples shall be taken when requested by the other party. The specific gravity determined by any test shall apply to the gas delivered hereunder from the date the spot sample was taken or from the commencement date of a sample taken over a period of time, as the case may be, until the next test.

4.4 Flowing Temperature: The flowing temperature of the gas being metered shall be determined by means of a recording thermometer of a type acceptable to both parties, installed and maintained in accordance with the specifications set forth in said Gas Measurement Committee Report No. 3. The arithmetical average of readings each day shall be deemed the gas temperature and used in computing the volumes of gas metered during such day.

5. INSPECTION OF EQUIPMENT AND RECORDS

5.1 Transmittal of Records to Seller: Buyer shall send to Seller copies of all measuring and testing charts, data and information collected at each point of receipt as soon as practicable after daily collection thereof so that Seller can keep current information on the volumes, BTU content and quality of the gas delivered hereunder.

5.2 Inspection of Equipment and Data: Each party shall have the right to inspect equipment installed or furnished by the other,

and the charts and other measurement or test data of the other, at all times during business hours; but the reading, calibration and adjustment of such equipment and changing of charts shall be done only by the party installing or furnishing same. Unless the parties otherwise agree, each party shall preserve all original test data, charts and other similar records in such party's possession, for a period of at least six (6) years.

5.3 Information for Billing: When information necessary for billing by Seller is in the control of Buyer, Buyer shall furnish such information for the billing month to Seller on or before the third (3rd) working day of the month following the billing month.

5.4 Verification of Computations: Each party shall have the right to examine at reasonable times the books, records and charts of the other to the extent necessary to verify the accuracy of any statement, charge or computation made pursuant to these General Terms and Conditions.

6. BILLING AND PAYMENT

6.1 Billing: On or before the sixth (6th) working day of each month, Seller shall render to Buyer both (a) a preliminary bill for service rendered during the previous month (herein called the billing month) and (b) an adjusted bill for the actual cost of service rendered during the month preceding the billing month. The preliminary bill shall be composed of (a) the amount recorded by Seller in Account 745, Purchased Gas, for the billing month and (b) the amount of all other costs under paragraph 3.1(b)

of Rate Schedule _____ included in the adjusted bill for the month preceding the billing month.

6.2 Payment: On or before the seventeenth (17th) day of each month Buyer shall pay Seller in lawful money of the United States at Seller's office, San Francisco, California, the amount of the preliminary bill rendered by Seller for the billing month in accordance with this paragraph 6, adjusted by Buyer to account for the difference between the preliminary and adjusted bills for the month preceding the billing month.

6.3 Interest on Unpaid Amounts: Should Buyer fail to pay the amount of any bill rendered by Seller as herein provided when such amount is due, interest thereon shall accrue at the rate of six percent (6%) per annum from the due date until the date of payment.

6.4 Remedies for Failure to Pay: If such failure to pay continues for sixty (60) days after payment is due, Seller in addition to any other remedy it may have, may suspend further delivery of gas until such amount is paid unless Buyer in good faith disputes the amount owing and pays such amount as it concedes to be correct. Either party may submit to arbitration in accordance with paragraph 11 any dispute as to the amount due Seller hereunder.

6.5 Late Billing: If presentation of a bill by Seller is delayed after the due date provided in paragraph 6.1, then the time for payment shall be extended correspondingly unless Buyer is responsible for such delay.

6.6 Correction of Billing Errors: In the event an error is

discovered in the amount billed in any statement rendered by Seller, the amount of such error shall be adjusted, provided that claim therefor shall have been made within twelve (12) months from the date of such statement. The adjustment shall be made within thirty (30) days of such timely claim.

7. FORCE MAJEURE

7.1 If either party shall fail to perform any obligation imposed upon it by these General Terms and Conditions or by an executed Service Agreement, and such failure shall be caused, or materially contributed to, by any acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemies, sabotage, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, floods, storms, fires, washouts, arrests, restraints of rulers and peoples, civil disturbances, explosions, breakage of or accident to machinery or lines of pipe, hydrate obstructions of lines of pipe, inability to obtain pipe, materials or equipment including those necessary for The Project, any legislative, administrative or judicial action which has been resisted in good faith by all reasonable legal means, any act or omission whether of the kind herein enumerated or otherwise not within the control of the party invoking this paragraph and which by the exercise of due diligence such party could not have prevented, or shall be occasioned by the necessity for making repairs to or reconditioning machinery, equipment, or pipelines, not resulting from the fault or negligence of such party, such failure shall be deemed not to be a breach of the obligation of such party, but

such party shall use reasonable diligence to put itself in a position to carry out its obligations. Nothing contained herein shall be construed to require either party to settle a strike or lockout by acceding against its judgment to the demands of the opposing parties.

7.2 No such cause affecting the performance of either party shall continue to relieve such party from its obligation after the expiration of a reasonable period of time within which by the use of due diligence such party could have remedied the situation preventing its performance, nor shall any such cause relieve either party from its obligation to make payment of amounts due and owing hereunder before the occurrence of such cause, nor shall any such cause relieve either party from any obligation unless such party shall give notice thereof in writing to the other party with reasonable promptness; and like notice shall be given upon termination of such cause. No such cause shall relieve Buyer from its obligation to pay the cost of service charge in accordance with paragraph 3 of Rate Schedule _____, except as provided in paragraph 7.3 and 7.4.

7.3 Whenever any such cause results in an impairment of the transmission capacity of Seller's facilities to the extent that there is a reduction in the daily volumes of gas that otherwise would have been delivered by Seller to Buyer then the monthly cost of service charge payable by Buyer under paragraph 3 of Rate Schedule _____ shall be diminished by an amount equal to the monthly charge which otherwise would have been payable under said paragraph 3 (exclusive of Seller's costs includible in Account 745, Purchased

Gas) multiplied by the fraction whose numerator is that quantity of gas incapable of delivery during the billing month because of such cause and whose denominator is the total quantity of gas, determined at the end of the billing month, which otherwise would have been delivered during that month if no such cause had interfered.

7.4 If any of The Project's then existing governmental authorizations to purchase, transport, export or import gas is modified, whether by legislative, administrative or judicial action, in any way that results in diminishing the quantity of gas, determined at the end of the billing month, which otherwise would have been delivered hereunder through the facilities of Seller during that month, then the monthly cost of service charge payable by Buyer under paragraph 3 of Rate Schedule ____ shall be diminished by an amount equal to the monthly charge which otherwise would have been payable under said paragraph 3 (exclusive of Seller's costs includible in Account 745, Purchased Gas) multiplied by the fraction whose numerator is that quantity of gas incapable of delivery during the billing month because of such modification and whose denominator is the total quantity of gas which otherwise would have been delivered during that month if no such modification had occurred, provided, however, that such modification was resisted in good faith by all reasonable legal means.

8. WARRANTY AND PASSAGE OF TITLE

Seller warrants the title of all gas delivered and the right to deliver the same and that such gas will be free from all liens and adverse claims. Title to gas sold shall pass from Seller to Buyer at the point of delivery.

9. POSSESSION OF GAS AND RESPONSIBILITY

As between Seller and Buyer, Buyer shall be deemed to be in control and possession of, and responsible for, all gas delivered from the time that such gas is received by it at the point of delivery.

10. LIABILITY OF PARTIES

Seller and Buyer each assume full responsibility and liability for the maintenance and operation of its respective properties and shall indemnify and save harmless the other party from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons, arising from any act or accident in connection with the installation, presence, maintenance and operation of the property (other than gas) and equipment of the indemnifying party, or in connection with the presence of gas in the control and possession of the indemnifying party.

11. ARBITRATION

Any arbitration provided for or agreed to by Buyer and Seller shall be conducted in accordance with the following procedures and principles:

Upon the written demand of either party and within ten (10) days from the date of such demand, each party shall appoint an arbitrator and the two arbitrators so appointed shall promptly thereafter appoint a third. If either party shall fail to appoint an arbitrator within ten (10) days from the date of such demand, then the arbitrator shall be appointed by a Superior Court of the State of California in accordance with the California Code

of Civil Procedure. If the two arbitrators shall fail within ten (10) days from their appointment to agree upon and appoint the third arbitrator, then upon the application of either party, such third arbitrator shall be appointed by a Superior Court of the State of California in accordance with the California Code of Civil Procedure.

The arbitrators shall proceed immediately to hear and determine the matter in controversy. The award of the arbitrators, or a majority of them, shall be made within forty-five (45) days after the appointment of the third arbitrator, subject to any reasonable delay due to unforeseen circumstances.

The award of the arbitrators shall be drawn up in writing and signed by the arbitrators, or a majority of them, and shall be final and binding on the parties, and the parties shall abide by the award and perform the terms and conditions thereof. Unless otherwise determined by the arbitrators the fees and expenses of the arbitrator named for each party shall be paid by that party and the fees and expenses of the third arbitrator shall be paid in equal proportion by both parties.

12. MISCELLANEOUS PROVISIONS

12.1 Waiver of Default: No waiver by either party of any default by the other in the performance of any provisions of this FPC Gas Tariff shall operate as a waiver of any continuing or future default, whether of a like or different character.

12.2 Assignability: A Service Agreement shall bind and inure to the respective successors and assigns of the parties thereto, but no assignment shall release either party from such party's obligations without the written consent of the other party, which

consent shall not be unreasonably withheld. Nothing contained herein shall prevent either party from pledging or mortgaging its rights as security for its indebtedness.

12.3 Effect of Headings: The headings used throughout these General Terms and Conditions and in executed Service Agreements are inserted for reference purposes only and are not to be considered or taken into account in construing the terms and provisions of any paragraph nor to be deemed in any way to qualify, modify or explain the effects of any such provisions or terms.

13. SERVICE AGREEMENT

13.1 Form: Buyer shall enter into a contract with Seller under Seller's standard form of Service Agreement.

13.2 Term: The term of the Service Agreement shall be agreed upon between Buyer and Seller at the time of the execution thereof.

FORM OF SERVICE AGREEMENT

THIS AGREEMENT made this _____ day of _____,
19____.

BETWEEN:

PACIFIC GAS TRANSMISSION COMPANY, a corporation
existing under the laws of California, having its
principal office in the City of San Francisco,
California, (hereinafter referred to as Seller)

OF THE FIRST PART

and

PACIFIC GAS AND ELECTRIC COMPANY, a corporation
existing under the laws of California, having its
principal office in the City of San Francisco,
California, (hereinafter referred to as Buyer)

OF THE SECOND PART

W I T N E S S E T H T H A T:

WHEREAS The Project is a natural gas pipeline project whose
principal purpose is the transportation of natural gas from Canada to
the existing integrated transmission and distribution system of Buyer
in northern California; and

WHEREAS the participants in The Project are (1) Alberta and
Southern Gas Co. Ltd., an Alberta corporation which has contracts and
will obtain additional contracts for the purchase of natural gas from
certain fields in Alberta and proposes to export the principal amount
of such gas to California by means of The Project; (2) Alberta Gas

Trunkline Company Limited, an Alberta corporation proposing to transport gas for The Project in Alberta; (3) S & M Pipeline Limited, a Canadian corporation proposing to transport gas for The Project from Alberta across British Columbia to the International Boundary; (4) Seller and (5) Buyer; and

WHEREAS Seller proposes to purchase the gas from Alberta and Southern Gas Co. Ltd. at the International Boundary and to transport the gas across Idaho, Washington and Oregon to California for sale and delivery to Buyer; and

WHEREAS, Buyer proposes to purchase and receive the gas at the Oregon-California boundary;

NOW THEREFORE the parties agree as follows:

1. BASIC OBLIGATIONS AND CONDITIONS

1.1 Before The Project can be constructed and operated, all permits, certificates and other authorizations required under applicable laws and regulations must be obtained. Both parties agree that they will proceed with diligence to procure such authorizations as may be necessary for performing their obligations hereunder and for their participation in The Project, including such authorizations as may be required for any subsequent expansion of The Project.

1.2 Each party agrees that upon the obtaining of all such necessary authorizations by all participants in The Project, it will proceed with diligence to construct, maintain and operate, in accordance with best pipeline practice, a gas transmission system capable of delivering or receiving, as the case may be, all gas to be delivered in accordance with paragraph 4.

1.3 Seller agrees to sell and deliver, and Buyer agrees to purchase and receive, daily volumes of gas in accordance with paragraph 2.

1.4 Buyer agrees to pay Seller in accordance with the monthly cost of service basis referred to in paragraph 3 for the gas sold and delivered hereunder.

2. QUANTITY OF GAS

2.1 The Daily Contract Quantity is 403 MMcf per day or such higher amount as may from time to time be agreed upon by the parties.

2.2 Seller shall deliver each day to Buyer the volumes of gas requested by Buyer, not to exceed the Daily Contract Quantity in any one day unless Seller consents to deliver the requested excess quantity. Buyer shall take during each contract year, if available hereunder, a minimum average daily volume equal to ninety percent (90%) of the Daily Contract Quantity; provided, however, that Buyer shall take, if available hereunder, not less than a minimum average daily volume equal to eighty percent (80%) of the Daily Contract Quantity during each month and a minimum volume equal to seventy-five percent (75%) of the Daily Contract Quantity on each and every day.

2.3 Seller and Buyer shall notify each other from time to time, as necessary, of expected changes in the rates of delivery or receipt of gas, or in the pressures or other operating conditions, and the reason for such expected changes, to the end that the other party may be prepared to meet them when they occur.

3. RATE SCHEDULE

All gas delivered hereunder shall be paid for under Rate Schedule_____ of Seller on file with the Federal Power Commission or any effective superseding rate schedule. It is agreed that Seller shall have the right to make and to file with the Federal Power Commission in accordance with Section 4 of the Natural Gas Act, changes in said rate and new rates or rate schedules; provided, however, Buyer shall have the right to protest any such changes in rate and new rates or rate schedules before said Commission, and to exercise any other rights it may have with respect thereto under the Natural Gas Act, as amended, or as it may be amended, including Section 5 of such Act. This Agreement in all respects shall be subject to the applicable provisions of such Rate Schedule and of the General Terms and Conditions attached thereto filed with the Federal Power Commission, all of which are by the reference made a part hereof.

4. POINT OF DELIVERY

The point of delivery for gas to be sold hereunder shall be at the junction of the pipelines of Seller and Buyer located at the Oregon-California boundary.

5. DELIVERY PRESSURE

Seller agrees to deliver the gas to Buyer at such pressure as the latter may require from time to time up to the maximum of either six hundred fifty (650) pounds psig or the maximum pressure that can be made available at the principal point of delivery with the then existing facilities, whichever is higher.

6. TERM OF AGREEMENT

This Agreement shall be effective from the date hereof and shall continue for as long as The Project is able to operate in such manner as to accomplish its principal purpose.

7. ADDRESS OF PARTIES

Every request, notice, statement and bill provided for in this Agreement shall be in writing and each of them and every payment provided for herein shall be directed to the party to whom given, made or delivered at such party's address as follows:

Pacific Gas Transmission Company
245 Market Street
San Francisco, California

Pacific Gas and Electric Company
245 Market Street
San Francisco, California

Either party may change its address by giving written notice to the other party. Any notice hereunder shall be deemed to have been given forty-eight (48) hours after such notice has been deposited in a Post Office with requisite postage thereon.

IN WITNESS WHEREOF this Agreement has been properly executed by the parties hereto with the corporate seal of each having been properly affixed and attested as of the day and year first above written.

PACIFIC GAS TRANSMISSION COMPANY

By _____

By _____

PACIFIC GAS AND ELECTRIC COMPANY

By _____

By _____

